



Government of
Saskatchewan

Annual Report 2002-2003

Saskatchewan Industry and Resources

Saskatchewan
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Letters of Transmittal



The Honourable Lynda Haverstock
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of
Saskatchewan Industry and Resources for the
fiscal year ending March 31, 2003.



Eric Cline, Q.C.
Minister of Industry and Resources

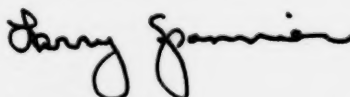


The Honourable Eric Cline, Q.C.
Minister of Industry and Resources

Dear Sir:

I have the honour of submitting the Annual Report
of Saskatchewan Industry and Resources for the
fiscal year ending March 31, 2003.

Respectfully submitted,



Larry Spannier
Deputy Minister

Who We Are

Saskatchewan Industry and Resources was formed April 1, 2002, as a result of the merger of the former Departments of Energy and Mines and Economic and Co-operative Development. The department is the government's business department, charged with stimulating entrepreneurial and business investment and spurring development of the province's resource sector.

The department's mandate, as articulated in its budget estimates, is "to achieve full and responsible development of Saskatchewan's energy, mineral and forestry resources, to work with businesses and co-operatives to expand the Saskatchewan economy by promoting, co-ordinating and implementing policies, strategies and programs that encourage sustainable economic growth, and to optimize revenues to fund government programs and services."

The department's vision is of an innovative, prosperous and sustainable economy supported by full participation and responsible energy and mineral development.

As the business department of government, Industry and Resources has a broad range of responsibilities. They include:

- Energy planning and development – encouraging responsible development and use of energy resources;
- Industry and business development – supporting business growth and retention through investment attraction, increased business competitiveness and removal of regulatory impediments;
- Investment programs – supporting innovation, research and entrepreneurial activity in Saskatchewan's economic sectors through a range of investment initiatives;
- Corporate resources – supporting strategic communication and marketing initiatives and human resource and information technology management;
- Regional economic development – supporting growth of businesses and co-operatives through various business advisory services and through partnership with regional economic development authorities;
- Resource development – stimulating optimal development of oil, gas and mineral resources and administering Crown mineral rights;

- Resource and economic policy – monitoring economic trends, policies, legislation and impacts on industry performance, and providing analysis and recommendations on issues such as royalty/tax systems and climate change;
- Resource regulation and revenue collection – encouraging timely collection of revenues and ensuring activities meet with environmental and regulatory obligations;
- Strategic initiatives – supporting high-priority projects such as ethanol and agri-value initiatives, the Canadian Light Source synchrotron, forestry development and the Saskatchewan Forest Centre.

The department has approximately 390 employees, located in Regina and at nine regional industry development offices and six regional resource development offices.

In fulfilling its mandate, the department regularly liaises with a variety of economic development partners in the province's key resource sectors, the co-operative sector and the business community. The department provides operational funding to the province's 28 regional economic development authorities (REDAs). The department also provides transfer payments through its budget to Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership (STEP) for their annual operations.

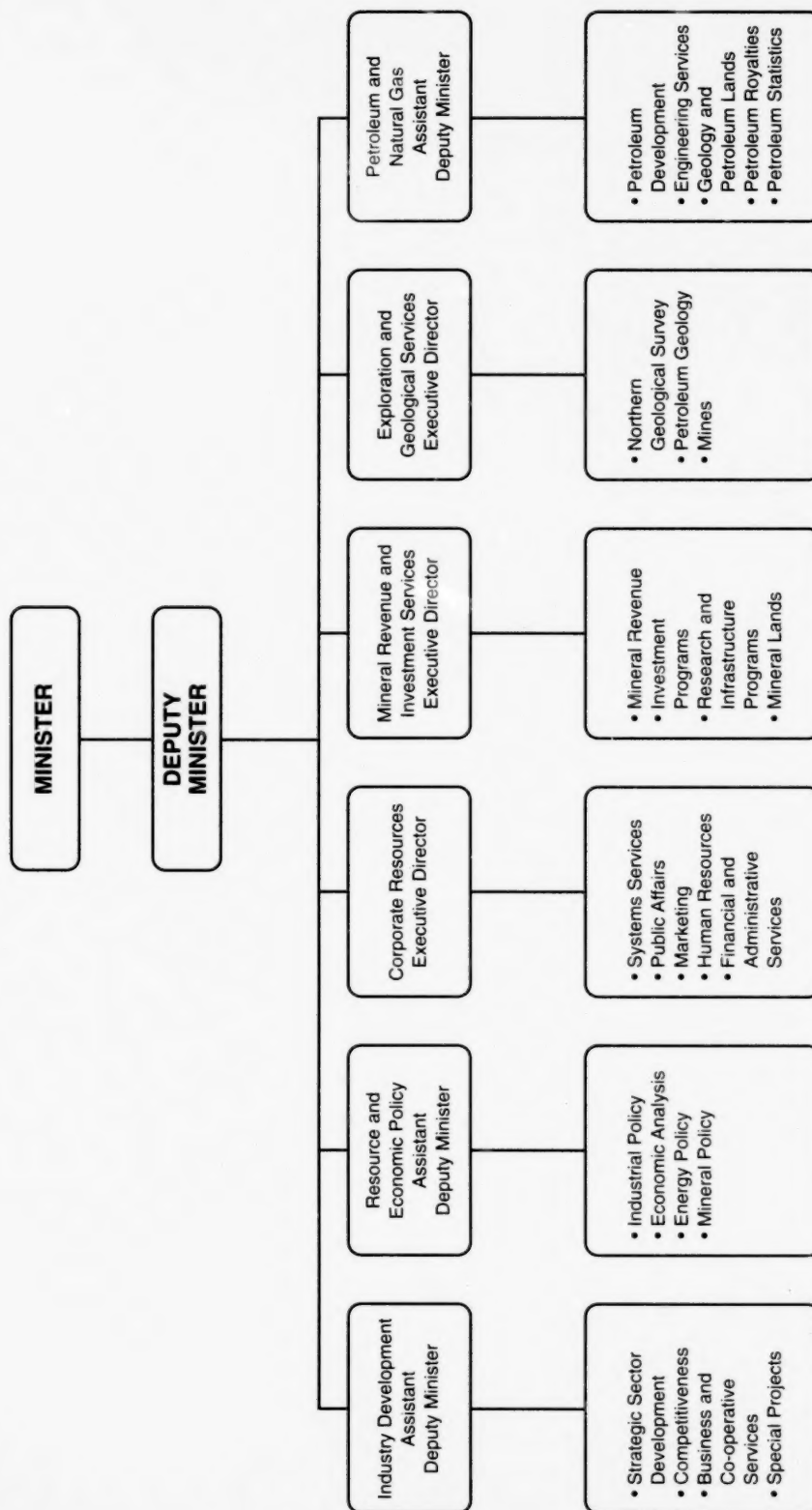
Our 2002-03 Annual Report

The 2002-03 annual report document serves two distinct purposes: to report on the 2002-03 department accomplishments and results, and to publish for the first time the department's performance plan for 2003-04 and beyond.

Improvements to the annual report document and results reporting are tied to the continued implementation of government's accountability framework. Following that timetable, Industry and Resources is releasing the department's 2003-04 performance plan in this report.

Future annual reports will provide results reporting against the performance measures and actions that are included in the performance plan section of this report.

Internal Organization as of March 31, 2003



2002-03 Fiscal Year Results

Resource and Economic Policy Division

The role of the Resource and Economic Policy Division is to identify, analyse and develop policies on economic development and climate change issues; to promote energy conservation and mineral and energy development; to design and maintain tax structures to optimize mineral revenues; and to perform economic research and co-ordinate the development and implementation of economic strategies. In 2002-03, the division consisted of four branches: Economic Analysis, Energy Policy, Industrial Policy and Mineral Policy.

The Policy Division undertakes the following services and activities:

- analysing policies and programs to facilitate economic growth and support increased production of Saskatchewan's energy resources;
- maintaining the competitiveness of Saskatchewan's fiscal and regulatory systems to encourage and sustain a viable and growing energy and mineral industry;
- ensuring a fair economic return to the province from resource development, while maintaining a healthy investment climate to encourage exploration and development of resources;
- preparing monthly labour force reports and analysis of economic indicators; preparing forecasts of production, sales, price, revenue, employment and investment for coal, natural gas, potash, uranium and sodium sulphate to assist the government in budget planning, economic forecasting and negotiating federal-provincial equalization entitlements and preparing forecasts of future emissions levels to assist analysis of alternative climate change management strategies; and
- monitoring and co-ordinating key provincial and departmental issues and facilitating inter-agency, interdepartmental and federal/provincial relations.

Economic Analysis Branch

The Economic Analysis Branch provides the department with economic and statistical analysis, and up-to-date information about the Saskatchewan economy. This information and analysis is used in the department's publications, brochures, Web site, speeches and strategies, and in responses to inquiries from the business community and the general public.

The branch is also responsible for undertaking economic impact analyses, intergovernmental liaison (such as organizing briefings for meetings of ministers and deputy ministers) and policy analysis of trade and investment issues.

Major Activities and Results:

In 2002-03, staff provided economic data and statistical support for sectoral plans and the year one progress report on the Partnership for Prosperity strategy.

The branch, along with the Business and Co-operative Services Branch, developed an Internet-based set of community and regional profiles aimed at providing information about specific Saskatchewan locations. In early 2002-03, a system developer for the Saskbiz Web site was chosen through the Request for Proposal (RFP) process, and a pilot project for the southeast portion of the province became operational in January 2003.

Located at www.saskbiz.ca, the Web site is intended to support the efforts of the department, REDAs and other economic development agencies in the areas of investment attraction, opportunity identification, and business development and expansion. The Web site received an Outstanding Economic Development Initiative Award in February 2003, recognizing it as one of the best economic development promotional sites in North America.

The branch continued to represent Saskatchewan on the Working Group on Investment (WGI), established under the Agreement on Internal Trade (AIT), and completed the province's responsibilities as required by the Investment Chapter of the AIT. Branch staff reviewed the province's interests in several proposed foreign investment mergers and acquisitions under The Investment Canada Act, and provided input into the development of provincial negotiating positions for the General Agreement on Trade in Services (GATS) and the Free Trade Area of the Americas (FTAA) agreement.

Energy Policy Branch

The Energy Policy Branch has two primary functions: resource policy, which encompasses resource development policy and mineral royalty and tax policy, and energy planning and development.

The branch undertakes economic analyses and forecasts, completes commodity revenue forecasts, and prepares briefing material for intergovernmental meetings and meetings with industry and societal stakeholders.

Resource Policy

Resource Policy maintains the competitiveness of fiscal and regulatory regimes while ensuring a fair return in terms of jobs, economic activity, and government revenues to fund programs and services, and supports the development of new technology that will increase the production of Saskatchewan energy resources.

Major Activities and Results:

In 2002-03, the branch approved two applications from the oil industry for the Saskatchewan Petroleum Research Incentive, and has approved 13 projects to date. The incentive has provided nearly \$8 million in royalty tax credits to projects that invested nearly \$40 million in the development of new technology for the oil industry. The incentive was extended until March 31, 2007, and will provide an additional \$7 million of royalty/tax incentives to encourage industry to develop new technology for the oil and gas sector.

The branch co-sponsored the 10th Annual Williston Basin Horizontal Well and Petroleum Conference in Bismarck, North Dakota, in May 2002 in co-operation with the North Dakota Geological Survey to promote opportunities for oil field development in the Williston Basin.

In the past year, the branch managed the department's coal royalty and freehold tax remission order program, authorized the remission of \$1.2 million in royalty and freehold production tax, and resolved issues arising from the administration of the royalty and tax systems.

The branch assisted in the department's review of natural gas and crude oil royalty and freehold tax rates that resulted in the establishment of lower royalty/tax rates for wells drilled commencing in 2002.

Energy Planning and Development

The branch develops policies and programs that: promote the efficient use of energy through

improved energy management practices; respond to North American trends to open and competitive markets for delivery of electricity and natural gas to consumers; and reflect the branch's responsibilities (together with Saskatchewan Environment) in developing Saskatchewan policy regarding global climate change and greenhouse gas emissions.

Major Activities and Results:

The branch was involved in a number of initiatives related to energy conservation, greenhouse gas emissions and global climate change, including:

- support for the Prairie Adaptation Research Collaborative (PARC) at the Regina Research Park adjacent to the University of Regina in co-operation with Natural Resources Canada;
- support for the International Carbon Dioxide Test Centre adjacent to the Regina Research Park;
- preparation of a publication entitled "Making it Work: A Saskatchewan Perspective on Climate Change Policy" to outline 19 benchmarks that Saskatchewan would use to evaluate the federal climate change plan;
- financial support, in co-operation with SaskPower and SaskEnergy, to the Saskatchewan Research Council for the Office of Energy Conservation;
- consultation with a stakeholders advisory committee to government on climate change initiatives for Saskatchewan;
- participation in a multi-client project undertaken by the Alberta Research Council to study the feasibility of injecting carbon dioxide into deep underground coal seams to permanently dispose of the carbon dioxide and simultaneously produce natural gas;
- support for Climate Change Saskatchewan in co-operation with Natural Resources Canada to provide Saskatchewan residents with access to credible and reliable climate change information;
- participation in the International Energy Agency's greenhouse gas research and development program; and
- support for the International Energy Agency (IEA) Weyburn Carbon Dioxide Monitoring Project.

The branch represented Saskatchewan's interests in a wide range of energy sector discussions, including:

- The Energy Chapter of the Agreement on Internal Trade, and other ongoing international trade negotiations, in co-operation with the Department of Government Relations and Aboriginal Affairs;
- The Western Interstate Energy Board (WIEB) and the Committee on Regional Electric Power Cooperation (CREPC) as well as the federal-provincial-territorial working group on electricity reliability;
- The federal-provincial-territorial committee on international energy issues, including discussions related to North American energy markets;
- The federal-provincial-territorial Task Force on Energy Pipeline Regulation; and
- The federal-provincial-territorial National Air Issues Coordinating Committee on Climate Change (NAICC-CC) and its Analysis and Modeling Group (AMG).

Industrial Policy Branch

The Industrial Policy Branch is responsible for the analysis of a broad range of policy issues related to provincial economic development and the impact of government-wide policies on tourism, research and innovation, northerners, rural residents, Aboriginal people and women entrepreneurs.

Major Activities and Results:

During the 2002-03 fiscal year, the Industrial Policy Branch worked with the Economic Analysis Branch and the Public Affairs Branch to prepare the first annual report on the Partnership for Prosperity strategy. The year one report card, available online at www.saskprosperity.sk.ca, provided an update on the province's five-year economic development strategy and reported on progress made toward the strategy's 16 targets. By releasing the first report card, the department followed through on its accountability requirements to report.

The branch represented the department in work with Government Relations and Aboriginal Affairs to implement the Strategy for Métis and Off-Reserve First Nations People (Framework for Co-operation).

The branch collaborated with the Office of Northern Affairs on issues related to northern development in Saskatchewan and completed work on a federal-provincial Northern Development Agreement signed between the federal and provincial governments in October 2002.

Branch support of innovation and commercialization of research continued through the Senior Officials Group on Innovation where study and co-ordination of scientific, research and economic development efforts across the West are achieved. The branch also worked to develop positions on, and responses to, the federal government's Innovation Strategy.

The branch co-ordinated the response from the Departments of Industry and Resources and Agriculture, Food and Rural Revitalization to the government's Rural Action Plan, which was released in December 2002. The branch also represented the department in ongoing activities to identify programs and develop policy options to address the issues facing Saskatchewan women.

The branch undertook joint interdepartmental and intergovernmental research and examined the policy implications for the provincial tourism industry for use in meetings with the tourism and travel industry and the operations of major airlines in Saskatchewan.

The branch was assigned responsibility to co-ordinate a department strategic plan to support and complement the economic development strategy for the province. This work is ongoing and involves co-ordinating related strategic planning activities and building on sectoral opportunities for Saskatchewan's competitive and comparative advantages.

Mineral Policy Branch

The Mineral Policy Branch has two primary functions: resource policy and mineral royalty and tax policy.

Resource Policy

Resource policy activity is aimed at maintaining the competitiveness of Saskatchewan's fiscal and regulatory systems in order to encourage and sustain a viable and growing energy and mineral industry.

Major Activities and Results:

Potash market development and research programs were reviewed to ensure the programs continued to meet their intended objectives. The program focused on expanding markets in Southeast Asia, and on waste management and environmental concerns.

Through membership in the Northern Mines Monitoring Secretariat, the branch provided support to the activities of the Environmental Quality Committees in monitoring uranium mine operations in northern Saskatchewan.

The branch continued to work with Saskatchewan Environment, Government Relations and Aboriginal Affairs, and Northern Affairs on mine reclamation and decommissioning issues associated with abandoned uranium mines.

Mineral Royalty and Tax Policy

The branch has among its functions the monitoring and managing of royalty and tax systems for uranium, gold and base metals, potash, coal and other industrial minerals.

Major Activities and Results:

In September 2002, the government announced a mineral incentive package that included a 10-year royalty holiday for new gold and base metal mines in the province and a commitment that the province would develop a competitive royalty structure for diamonds mined in Saskatchewan. The branch began developing regulations to implement the 10-year royalty holiday and researching the international diamond industry in preparation for commencing development of a royalty system.

The branch co-chairs the Potash Decommissioning and Reclamation Steering Committee. The committee oversees work on assessing decommissioning and reclamation costs. These are associated with addressing long-term management of potash tailings piles and establishing appropriate levels of financial assurances for decommissioning and reclamation operations.

Branch officials co-ordinated development of a request for intervenor status in the Federal Appeal Court hearing on the validity of the McClean Lake

uranium mine licence issued by the Canadian Nuclear Safety Commission.

The branch commenced consultations with the uranium and potash mining industries to examine opportunities to increase industry investment in Saskatchewan. These opportunities would occur through favourable tax treatment of industry investments and other tax measures to enhance the attractiveness of Saskatchewan's investment climate.

Draft regulations were developed to amend the Alkali Mining Regulations with measures that include implementing the capital incentive program and other updates to the regulations.

Numerous issues were identified, reviewed and resolved arising from the administration of the royalty and tax systems.

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Industry Development Division

The Industry Development Division assists and attracts new, existing and expanding businesses, co-operatives and entrepreneurs to create and/or expand business activity in the province, and facilitates the development and capacity enhancement of community economic development organizations.

The division mandate is accomplished through four branches or units:

- Business and Co-operatives Services Branch, which consists of eight regional offices and one central office and provides development and support services to businesses, co-operatives, regional economic development authorities (REDAs) and neighborhood development organizations (NDOs);
- the Strategic Sector Development Branch, which facilitates the growth and expansion of key sectors and provides support to the Investment Attraction Council;
- the Competitiveness Branch, which leads the Regulatory Reform Initiative and examines competitiveness issues and ways to seek competitive improvements in Saskatchewan's business climate; and
- the Special Projects Branch, which leads the development of strategic economic initiatives such as ethanol development.

Business and Co-operative Services Branch

The Business and Co-operative Services Branch provides business and co-operative development support services and encourages job creation by co-ordinating and delivering a comprehensive small business support system in partnership with the public and private sectors. The branch also works with community leaders to support and strengthen community economic development in the province.

Services are delivered through eight regional offices located in Estevan, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon, Swift Current and Yorkton.

Branch achievements are grouped into six categories: information and services, small and medium enterprises, partnerships, regional economic development authorities, neighbourhood development organizations, and co-operative and community economic development.

Information and Services

One of the branch's goals is to ensure that information, assessment and pathfinding services are provided to support small business and co-operative development in the province.

During 2002-03, the branch handled 11,149 requests for business and co-operative information and assistance. It also continued to develop, update and distribute small business information, directories and databases. These resources are listed in the Publications section of this document.

The branch, along with the department's Policy Division, undertook development of a set of consistent, electronic-based community and regional profiles incorporating map-based information using Geographic Information Systems (GIS). The system is called **Saskbiz.ca**. The information available through this system is of assistance for investment attraction, business development and retention, and opportunity identification.

Small and Medium Enterprises

Another major branch activity is working with value-added small and medium enterprises, ranking them in terms of growth potential and providing assistance as required. During the fiscal year, regional staff maintained regular contact with local businesses, helped identify firms with growth potential and assessed their needs for continued development or expansion.

Partnerships

The branch works to identify partners and assist them in leveraging resources and pursuing opportunities that enhance wealth and job creation. The branch encourages partners to provide business training and education and to assist in the development of economic development groups and REDAs.

A "single window" approach to business information depends on partnerships with other agencies involved in economic development. An infrastructure of such agencies has been developed and includes provincial and federal departments, business associations, REDAs and various community economic development organizations,

selected chambers of commerce, banks and credit unions.

Canada-Saskatchewan Business Service Centre

One of the branch's main partnership activities is the nine-year-old Canada-Saskatchewan Business Service Centre (CSBSC), jointly funded and managed by the department and the federal government. The CSBSC supports Saskatchewan business development and entrepreneurial processes. As the hub of the "single window" network, the centre provides user-friendly information to aid business decisions and information on government programs and services.

The centre handled more than 190,000 inquiries, including more than 176,000 Internet visits with approximately 678,000 requests for information from the Web site. More than 2,000 contacts were made during promotional efforts and trade shows, and through presentations and tours of the CSBSC. Activity on behalf of federal and provincial partners was more than 9,000 interactions, including referrals and publication distribution.

Through the centre's regionalization initiatives, each of its 17 regional "access" sites received information, resources and training to enhance its services in assisting business clients in communities throughout Saskatchewan.

The Aboriginal Business Service Network (ABSN) initiative provides access to information on business programs, services and regulations tailored to meet the unique requirements of Aboriginal clients. The ABSN initiative is designed to enhance the development of Aboriginal businesses by increasing the availability of business-related information for Aboriginal entrepreneurs.

Regional Enterprise Centres

The branch provides ongoing support to the development of regional business enterprise centres, including co-location in centres where there are regional offices of the department. These "single window" centres are being developed as a means to co-ordinate services to assist entrepreneurship and small business development in communities or regions to help their economies grow and create jobs.

These initiatives are excellent examples of the current focus on grassroots economic development at the regional level and have been developed in conjunction with REDAs.

Regional enterprise centres in the province provide assistance to people starting or expanding small business. Partner organizations include the provincial REDAs, federal Community Futures Development Corporations, department regional offices, chambers of commerce, Western Economic Diversification Canada, Women Entrepreneurs of Saskatchewan and tribal councils. The centres are also regional access partner sites of the CSBSC.

Regional Economic Development Authorities (REDAs)

The REDA initiative was introduced in 1993 as a key government economic development initiative.

REDAs offer a co-ordinated, co-operative approach to provincial economic development. Their membership consists of communities, rural municipalities, businesses, co-operatives and First Nations.

Partners pool their resources to support job and wealth creation within their regions. Services provided are typically grouped into seven categories including co-ordination, organizational development and planning, education and training, information, research and development, promotion and marketing, and project management. At the end of 2002-03, 28 REDAs were operating in Saskatchewan.

The branch offers a range of organizational and professional services to REDAs, including services that increase their economic development capacity.

During the year, the branch provided a number of REDA resources and training tools, including:

- matching grant funding to the province's 28 REDAs, totalling \$1,554,109.
- the REDA Enhancement Fund, for projects that strengthen regional infrastructure and build economic development capacity. In 2002-03, 16 REDAs received \$200,200 of matching grant funding for 20 projects. In addition, funding was provided to 10 REDAs that

partnered with one or more REDAs to undertake projects. Five projects in total were funded through this partnership initiative. Funding for these projects totalled \$74,500. Typically, projects are in the agri-value-added, forestry, energy, manufacturing and tourism industries.

- other regional initiatives included implementation of business retention and expansion programs, providing business development support services through partnerships in enterprise centres, administering small business loans and specialized regional training for skill shortage areas.
- REDAs have assisted in stimulating over \$45.8 million in capital investments in the last five years. Potentially, this could increase to over \$250 million in the next couple of years.
- the REDA Youth Employment Initiative, resulting in term employment on business projects for 11 youths in nine REDAs. Total program funding for 2002-03 was \$79,884.
- the REDA Board Governance Training resources on the roles and responsibilities of board members in community economic development, which continued to be provided for training of new board members.
- assistance in certification maintenance of Business Retention and Expansion International (BREI) participants.
- the development with Marketing Branch of a REDA logo to be used as a provincial identifier of REDAs.



- development with Marketing Branch of a joint SIR-REDA advertisement – The Power of REDAs – which was published in weekly newspapers during REDA Week 2003 (February 9-15). The advertisement was also provided to REDAs for promotional use within their regions.

A highlight of the year was the fourth annual Connectivity conference held February 12-14, 2003, coinciding with REDA Week in Saskatchewan. The conference was jointly hosted by the Saskatchewan Economic Developers Association (SEDA), Community Futures Development Corporations

(CFDCs) and the department. The conference offers REDAs and their partner organizations the venue to provide member training opportunities and activities, explore community economic development issues and opportunities, as well as present economic development awards of excellence. Twenty-six REDAs were represented. Prince Albert and Entrepreneurs 2000 REDAs were presented with 10-year anniversary certificates.

Neighbourhood Development Organizations (NDOs)

In August 1998, the government launched the Neighbourhood Development Organization (NDO) program. The program provides organizational development assistance and funding to support the development and operation of multi-purpose NDOs, by the residents of low-income neighbourhoods, to undertake community economic development activities to address issues of poverty. The Departments of Industry and Resources and Community Resources and Employment jointly manage the program.

There are currently four NDOs in Saskatchewan: Quint Development Corporation (Saskatoon), River Bank Development Corporation (Prince Albert), Community Action Co-operative (Regina) Ltd., and Connecting As Neighbours Co-operative (Moose Jaw). A fifth NDO is emerging in North Battleford.

The province provided a total of \$606,850 in provincial funding to support the implementation of NDO community economic development strategy in inner-city neighbourhoods.

The NDOs support self-sufficiency of residents and work towards the removal of barriers by assisting in the establishment of housing co-operatives, educational and training opportunities and business start-ups. Some key initiatives included the establishment of a Recycle Store in Prince Albert, a commercial food kitchen in Regina (including a training component for chefs) and a male youth hostel in Saskatoon. In addition, self-employment and employment were encouraged and supported through a number of initiatives such as community loan funds, small business loans associations and community-owned business ventures.

Co-operative and Community Economic Development

The department's co-operative mandate is to promote and support the use of co-operative structures, principles and business practices to strengthen and enhance the province's economy and society. It is the basis for a partnership between the co-operative sector and government, under the lead of the department.

Specific activity included liaison and partnership with the Canadian Co-operative Association (CCA) to host a one-day forum on the role of co-operatives and co-operative development, ongoing liaison with federal, provincial and territorial officials responsible for co-operatives, a funding partnership with the Centre for the Study of Co-operatives, and partnership with the Conseil de la Co-opération de la Saskatchewan.

The department continued to promote and support the co-operative sector in undertaking major expansion as well as supporting new co-operative activity. In 2002-03, co-operative development co-ordinators worked with more than 65 groups at various levels of development. This included the development of 21 new co-operatives in a wide range of businesses including housing, community development, agricultural services and other areas of activity. One application for \$10,000 was approved under the Co-operative Development Assistance Program.

The department continued to support the Saskatchewan Council for Community Development (SCCD) by representation on the council, support for its activities and by providing a \$5,000 operating grant.

The department updated and revised the New Generation Co-operatives for Agricultural Processing and Value-Added Projects: A Development Guide. The guide is available electronically on the department's Web site.

Forty-seven co-operatives and nine credit unions celebrating 25, 40, 50, 60, 75, 80 and 85 years of service to their communities received certificates of co-operative achievement.

Co-operatives Week was celebrated the week of October 13-19, 2002, with a flag-raising ceremony

and a luncheon sponsored by the Co-operative Council of Regina. The highlight of the week was the Co-operative Merit Awards, an annual event co-sponsored with CCA that recognizes the achievements of co-operators around the province.

For more information, contact:

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Strategic Sector Development Branch

The Strategic Sector Development Branch was established on April 1, 2002. The purpose of the branch is to facilitate the growth and development of the province's key economic sectors. The primary focus of the branch's resources is on those six sectors identified as having the most potential for significant economic growth. Officials within the branch identify opportunities for sector growth, expansion and investment and work to realize these opportunities by working in partnership with other economic development stakeholders.

The six sectors identified for growth are:

- Agri-value
- Forestry
- Manufacturing
- Energy
- Mining
- Advanced technology

The branch is organized into teams, with one team responsible for each priority sector and a team responsible for providing secretariat and analytical support to the Investment Attraction Council and assisting/leading high-priority sector projects requiring focused attention and dedicated resources. Officials on the various teams also work in support of the development of a number of emerging sectors, including life sciences, biotechnology, bio-products and call centres.

In 2002-03, the branch:

- facilitated investment attraction opportunities and decisions by promoting the province and its capabilities to companies considering expansion or new investment;
- provided government and industry with specialized sector intelligence services;
- facilitated the realization of direct investment by providing networking and advisory services to companies;
- worked closely with companies in various sectors to resolve issues affecting business growth, expansion and investment and to gain an understanding of their priorities, constraints, threats and opportunities;
- worked with other departments, agencies and stakeholders to formulate and execute industrial sector development strategies designed to encourage increased investment and economic growth and to enhance decision-makers understanding and impact of the economic sectors;
- worked with other departments, agencies, industry and academic partners to identify and establish required infrastructure to support the development of the priority sectors.

Major new initiatives in 2002-03 were:

- announcement of the Saskatchewan Forest Centre building to provide a focal point for new forest development in the province;
- launch of the Saskatchewan Synchrotron Institute, to build Saskatchewan-based knowledge and capacity in the use of synchrotron technology;
- construction of a new \$220-million Oriented Strand Board mill in Meadow Lake;
- establishment of the Saskatchewan Intelligent Systems Technologies program to facilitate the development of intelligent systems technology and commercialization in Saskatchewan;
- establishment of the Saskatchewan Market Assessment of Research and Technology (SMART) Program to assist entrepreneurs in the successful commercialization of innovative products and technologies;
- establishment of a new 800-person call centre in Regina by StarTek Canada.

Competitiveness Branch

The Competitiveness Branch assumed responsibility for the government's Regulatory Reform Initiative. The 2002-03 fiscal year marks the seventh year of the initiative within the 10-year mandate. The primary goal is to achieve better regulation by making it easier and less costly for business and others to comply with regulations without compromising environmental protection and public safety. The initiative includes a commitment to reduce the number of regulations by 25 per cent and to review all regulations for relevancy and currency within the 10-year time frame.

As part of the initiative, the branch continued to monitor the number of provincial regulations. As of March 31, 2003, there were 670 regulations on the books in the province. This is 140 less than at the start of the initiative in May 1996, representing a 17 per cent reduction.

The branch also continued to monitor the required review of regulations, by all government departments, agencies and Crown corporations. As part of the regulatory review process, regulators are required to complete and submit to the branch a copy of the Regulatory Review Guide. This guide incorporates five Principles of Good Regulation and forms the parameters of a review to ensure that regulations are vetted for relevancy, currency, impact on the regulated, accountability on the part of the regulator and clarity.

Officials of the branch continued to be consulted by other departments and Crown corporations as they develop new regulations or amendments to existing ones. This provides the branch the opportunity to scrutinize and, where appropriate, comment on regulatory initiatives, particularly from a business perspective.

Throughout 2002-03, the branch worked with business associations, other government departments and agencies, Crown corporations and individual businesses to identify and resolve red tape and paper burden irritants that affect small- and medium-sized businesses in the province. The branch also continued to develop and maintain its business red tape survey on the department's Web site as a means for businesses to communicate red tape concerns to government.

As a further service to business, the branch refined, updated and posted on the department Web site a popular series of information bulletins designed to be a quick, concise reference to assist with business start-ups.

During the fiscal year, the branch investigated competitiveness issues and ways to seek competitive improvements in Saskatchewan's business climate. For example, the branch reviewed the current use of municipal tax tools and their effect upon commercial and industrial landowners and the potential negative impact on the province's ability to attract new investment in the manufacturing and processing sector, a key sector in diversifying the economy. The branch continued to work to find solutions to this issue that will balance the financial needs of municipalities with the province's need to maintain a competitive environment for Saskatchewan's key industries to grow and expand.

This past fiscal year, the branch embarked upon a significant research initiative to consider the nature and extent of economic development incentives used by competing jurisdictions to grow their economies. This initiative involved research focused on the successes enjoyed by competing jurisdictions resulting from incentive programming.

Special Projects Branch

In 2002-03, a new branch was structured within the Industry Development Division to lead and guide strategic economic development projects. Its top priority during the fiscal year was the province's ethanol initiative that was launched with the proclamation of The Ethanol Fuel Act on July 15, 2002.

With the act's proclamation, there was an immediate need to develop regulations that govern the distribution of ethanol-blended fuels in the province. Initial proposals were developed and then discussed with industry participants. Those activities resulted in The Ethanol Fuel (General) and The Ethanol Fuel (Grant) Regulations being established. Under these regulations, ethanol-blended gasoline is provincially mandated, commencing in 2004. As well, a grant equivalent to the provincial fuel tax rate of 15 cents a litre will be paid to fuel distributors who acquire Saskatchewan-produced ethanol for distribution in the province.

Ongoing discussion with industry regarding transition issues continued to be a significant priority.

Although Saskatchewan is the first jurisdiction to mandate ethanol use in gasoline, Husky Energy Inc. has distributed ethanol-blended gasoline for several years. Under a previous arrangement, the Department of Agriculture, Food and Rural Revitalization provided a grant for this ethanol-blended gasoline. The Special Projects Branch was instrumental in facilitating this transfer of responsibilities and continued payment to Husky Energy Inc. under the provisions of The Ethanol Fuel (Grant) Regulations.

The branch will continue leading the department's responsibilities for the ethanol initiative. In addition, it will pursue other economic development opportunities outside the six key strategic sectors targeted by the department.

For more information, contact:

Industry Development Division
Saskatchewan Industry and Resources
2103 – 11th Avenue
Regina, SK S4P 3V7

Telephone: (306) 787-8903

Facsimile: (306) 787-3989

Mineral Revenue and Investment Services Division

The Mineral Revenue and Investment Services Division administers the majority of the department's financial programs and manages Crown mineral ownership rights in response to both key sector investment activities and the collection and administration of revenue generating activities of the department. To accomplish these activities, the division consists of four branches: Mineral Revenue, Research and Infrastructure Programs, Mineral Lands and Investment Programs.

Mineral Revenue Branch

The Mineral Revenue Branch ensures the timely and optimal collection of revenues owing to the government from the development of Saskatchewan's energy and mineral resources.

More specifically, the branch assesses and collects royalties and taxes in oil, natural gas, potash, uranium, coal, sodium sulphate, and base and precious minerals. It also assesses and collects periodic taxes, lease rentals and other invoiced amounts throughout the year.

The key activities of the branch include:

- collecting non-renewable resource revenues, mineral rights taxes and other fees owing to the province;
- calculating oil and gas royalties and taxes owed by more than 2,400 operators and working interest owners and issuing invoices for any discrepancies in the amounts owed;
- auditing royalty/tax returns to ensure that all revenues owed are received; and
- calculating and making compensation payments to former mineral rights owners.

Key Accomplishments for 2002-03

In 2002-03, the branch:

- recorded and deposited all cash received on a daily basis, totalling \$1.252 billion;
- completed 48 audits of resource companies resulting in additional revenues of \$11.4 million;
- continued collection activity on delinquent accounts throughout the year;
- processed a total of \$50,322 in compensation payments to former mineral owners;
- held numerous meetings with royalty/tax payers to convey information, explain regulatory or policy changes, and seek input on royalty/tax related matters; and

- participated in the design and implementation of a new government-wide accounting system including modifications to branch computer programs.

For more information contact:

Mineral Revenue Branch
Mineral Revenue and Investment Services Division
Saskatchewan Industry and Resources
2101 Scarth Street
Regina, SK S4P 3V7

Telephone: (306) 787-8243

Facsimile: (306) 787-0083

Research and Infrastructure Programs Branch

The Research and Infrastructure Programs Branch manages the department's ongoing funding programs. Approximately \$20 million in funding programs were administered in 2002-03.

Canada-Saskatchewan Western Economic Partnership Agreement (WEPA)

The Canada-Saskatchewan Western Economic Partnership Agreement is a four-year, \$40-million fund co-managed with Western Economic Diversification Canada, designed to significantly increase Saskatchewan's innovative capacity in economic infrastructure, tourism, export and marketing, and rural and northern economic development. Although the agreement expired on March 31, 2002, some projects continued to receive WEPA funding during 2002-03 as project proponents fulfil the terms and conditions of their contracts.

Although Industry and Resources was not able to finalize a new WEPA with the Government of Canada during 2002-03, the department did receive an appropriation for Economic Partnership Agreements, which it used to participate in several joint federal-provincial cost-shared initiatives.

Key Accomplishments for 2002-03

During the year, six projects were approved for \$2.035 million in new commitments. A total of \$8.143 million was disbursed during 2002-03.

Examples of 2002-03 initiatives included:

- capital funding to develop the Saskatchewan Forest Centre in Prince Albert;
- capital funding to develop an additional floor at the Vaccine and Infectious Disease Organization building in Saskatoon to support a new \$27-million genomics research project; and
- funding for Phase 2 of the WestLink Innovation Network Ltd. Technology Commercialization Internship Program. The individuals in this program develop skills necessary to take a lead role in commercializing new technologies and/or developing new knowledge-based companies in the province.

Innovation and Science Fund

The Innovation and Science Fund was introduced in 2000-01 to provide \$40 million in funding over four years to Saskatchewan universities in support of projects receiving approval and funding from the Canada Foundation for Innovation, the Canada Research Chairs, the Canadian Health Services Research Foundation, and the provincial portion of the Medical Research Council Regional Partnership Program.

The fund complements existing provincial research programs and funding mechanisms and, as such, is focused solely on the research activities and capacities of publicly funded academic and research institutions.

The fund is designed to:

- promote excellence in research at Saskatchewan's post-secondary institutions and associated non-profit research institutes;
- promote research and development partnerships among post-secondary institutions, governments and the private sector;
- leverage federal research funding for Saskatchewan by ensuring that provincial institutions are able to effectively compete in national research funding competitions;
- improve the province's ability to attract and retain high-quality scientists and researchers;
- promote economic growth and quality of life through innovation and research; and
- develop Saskatchewan's human capital and innovative capacity.

Key Accomplishments for 2002-03

During the fiscal year, the fund provided more than \$8.6 million in funding for 30 projects.

Examples of these projects include:

- additional support to the universities for the Canada Research Chairs Program;
- capital for the University of Saskatchewan Research Network (USRNet);
- support for the Saskatchewan Indian Federated College to provide assistance to the Indigenous Peoples' Health Research Centre;
- support of \$1.519 million to the universities for health research in the province; and
- support for the Medical Research Council Regional Partnership Program.

The Strategic Investment Fund

The Strategic Investment Fund supports research and development activities that will create new technologies, new products, new business opportunities and new economic activities. Support is targeted at the development of technologies required for Saskatchewan industries to remain efficient and competitive and the development of technologies that will lead to new higher value products, processes and uses for Saskatchewan products.

Key Accomplishments for 2002-03

During 2002-03, the Strategic Investment Fund provided more than \$2.95 million of funding to various projects. Examples of the initiatives include:

- research to establish technology transfer capacity to bring new methods, ideas and technologies to the forestry industry;
- training to provide the development, co-ordination and delivery of strategies and programs designed to maximize the economic and scientific benefits to Saskatchewan associated with the Canadian Light Source synchrotron project.

Technology Commercialization Fund

In the March 2002 budget, the Technology Adoption and Demonstration Program, administered by Saskatchewan Agriculture, Food and Rural Revitalization, was terminated effective March 31, 2002. All the contractual agreements

that were made prior to that date were to be honoured through the newly created Technology Commercialization Fund managed by Saskatchewan Industry and Resources. The fund was allocated \$2.95 million in 2002-03 to provide funding to assist in the commercialization of innovative technologies, processes or products.

The fund is designed to:

- increase technology commercialization initiatives and the rate at which new technologies, of benefit to priority areas of the economy, are adopted within the province;
- increase economic activity and jobs in Saskatchewan through the commercialization of technology in the priority sectors; and
- leverage additional dollars from other sources to assist in the commercialization of technology in the province.

Key Accomplishments for 2002-03

During the year, close to \$2 million in funding was disbursed to over 50 projects including support to:

- the Precarn Alliance Program, designed to foster development of the intelligent systems technologies industry in small- to medium-sized companies in Saskatchewan;
- the Prairie Swine Centre for development of its Pork Industry Interpretation Centre and Saskatchewan Pork viewing gallery;
- the Prairie Agricultural Machinery Institute to upgrade and enhance its applied research and development facilities; and
- the Crop Development Centre at the University of Saskatchewan to enhance the research infrastructure to accommodate a new crops development program.

Mineral Exploration Incentive Program

Research and Infrastructure Programs Branch managed the financial aspects of the Mineral Exploration Incentive Program, which was initiated in 2002-03 to expand grassroots mineral exploration activity in the province. In 2002-03, approximately \$705,000 was disbursed to mineral exploration corporations and prospectors.

Ethanol Grant Program

Responsibility for development of the ethanol industry in the province was transferred from

Saskatchewan Agriculture, Food and Rural Revitalization to the department for 2002-03. The ethanol grant is intended to encourage the development of the ethanol industry and is paid to fuel distributors who sell ethanol-blended fuel within the province. Research and Infrastructure Programs Branch disbursed more than \$406,000 in ethanol grants to industry during 2002-03 as part of its responsibility to manage the financial aspects of the program.

For more information, contact:

Research and Infrastructure Programs Branch
Mineral Revenue and Investment Services Division
Saskatchewan Industry and Resources
2103 – 11th Avenue
Regina, SK S4P 3V7

Telephone: (306) 787-7006

Facsimile: (306) 787-3872

Mineral Lands Branch

The Mineral Lands Branch maintains comprehensive records on mineral ownership in Saskatchewan in support of the province's oil, gas and mining industries. The branch is also responsible for administering Crown mineral titles, providing advice on policy matters related to Crown lands and resources, and implementing several programs related to mineral ownership, including:

- implementing the mineral provisions of Treaty Land Entitlement Agreements;
- assessing the province's mineral rights tax levied under The Mineral Taxation Act, 1983;
- overseeing the transfer of Crown mineral titles to trustholders under The Mineral Trust Revestiture Regulations; and
- recording and discharging Builders Liens registered against Crown mineral dispositions under The Builders' Lien Act.

The branch accomplishes its mandate by:

- maintaining up-to-date records on Crown and private mineral ownership in the surveyed portion of Saskatchewan;
- responding in a timely fashion to industry inquiries concerning the availability of Crown mineral rights;

- working closely with provincial departments, the federal government and other relevant stakeholders to address mineral ownership issues; and
- developing and implementing policy recommendations related to mineral ownership.

A major thrust for the 2002-03 fiscal year was the re-development of administrative practices and procedures to accommodate the new Saskatchewan Land Titles Registry.

Mineral Rights Unit

The Mineral Rights Unit is responsible for maintaining the department's mineral ownership records. During 2002-03, the unit:

- recorded over 5,700 changes in mineral ownership in the surveyed portion of the province.
- reviewed over 2,000 posting requests for oil and gas rights.
- reviewed over 350,000 hectares of land to be included in exploration licences and permits.
- issued mineral rights tax assessments to 945 taxpayers, the total tax assessment of \$8.19 million.
- reviewed and approved 191 exemption certificates for agricultural corporations subject to the mineral rights tax.
- eliminated 38 trust certificates affecting Crown mineral titles through their conversion to a title interest.

Land Claims

Implementation of Indian land claims continues to be a focus of unit activity. Key accomplishments included:

- the review of 149,328 hectares of new mineral selections by Entitlement First Nations.
- submission and approval of 49 orders-in-council for the transfer of provincial Crown mineral rights to the federal government. These orders affected 39,371 hectares of Crown minerals.
- the completion of five departmental valuations and one independent appraisal of disposed Crown minerals subject to Treaty Land Entitlement claims.

For more information, contact:

Mineral Lands Branch
Mineral Revenue and Investment Services
Division
Saskatchewan Industry and Resources
2101 Scarth Street
Regina, SK S4P 3V7

Telephone: (306) 787-2082

Facsimile: (306) 787-0083

Investment Programs Branch

The goal of the Investment Programs Branch is to promote the development and growth of Saskatchewan businesses in ways designed to increase their equity financing from the community, employees or other individuals, and to create and maintain jobs.

In pursuing this goal, the branch is responsible for administering various activities, including the Small Business Loans Association Program, the Saskatchewan Business Ambassadors Program and the Labour-sponsored Venture Capital Corporation Program, also known as Invest in Saskatchewan.

Small Business Loans Association Program

A Small Business Loans Association (SBLA) can be formed by the incorporation of four or more community-based interest groups: individuals, partnerships, co-operatives or corporations. Once approved and incorporated, an SBLA may access an interest-free revolving line of credit of up to \$100,000 from the department, and in turn use this line of credit to make loans up to \$10,000 to new and existing businesses.

The objectives of the SBLA Program are:

- to provide business development opportunities

to the non-traditional entrepreneur and to extend financing beyond the scope of traditional lenders to contribute to the success of the small entrepreneur; and

- to promote the growth and diversification of Saskatchewan by involving existing businesses and associations by assisting small start-up or existing businesses in their communities.

Department staff are responsible for:

- approving new SBLAs, providing final approval on client loans, registering loan security and disbursement of funds to SBLAs;
- tracking the principal loan payments received from SBLAs;
- assisting SBLAs with the collection of delinquent loans; and
- increasing the awareness of the SBLA program.

Key Activities during fiscal 2002-03:

- Staff met with 26 SBLA boards of directors and administrators to provide information on how to conduct personal credit checks, how to interpret credit bureau information, how to evaluate a loan request, including the need for, and the review of, a business plan and how to share SBLA success stories.
- Staff participated in the Saskatchewan Urban Municipalities Association (SUMA) trade show, and the Connectivity conference.

During the reporting year, the following program activity occurred:

Small Business Loans Association Program		
Activity	2002-03	Program To Date April 1989 - March 2003
New Associations Approved	6	359
Active Associations	243	n/a
Approved Client Loans	506	8,261
Dollar Value of Approved Client Loans	\$3,574,309	\$42,641,572
Client Remittances	\$3,341,396	\$30,772,340
Total Active Client Loans at the End of the Year	1,927	n/a
Dollar Value of Active Client Loans at the End of the Year	\$9,582,968	n/a
Jobs Created	479	9,148
Jobs Maintained	681	8,911
New Businesses Created	209	3,985

Saskatchewan Business Ambassadors Program

The Saskatchewan Business Ambassadors Program is designed with two primary objectives in mind:

- to promote a consistently positive image of Saskatchewan to potential businesses both within and outside the province; and
- to encourage and promote a spirit of optimism among people within the province.

The program enlists the help of business people in promoting the province.

As of March 31, 2003, 216 ambassadors have received kits of information to assist in promoting Saskatchewan as a place to live, work, invest and do business.

Regular follow-up with ambassadors was maintained and their comments entered into the tracking system to assist with monitoring of the program.

Labour-sponsored Venture Capital Corporations Program (LSVCC)

The Labour-sponsored Venture Capital Corporations Program has three streams:

- Employee Investment Fund – Encourages employees to invest in their firms. Employees invest into a fund and receive provincial tax credits of 20 per cent on investments up to \$5,000 and federal tax credits of 15 per cent on investments up to \$5,000. The moneys raised are invested in the employer company.
- Provincial Pool Funds – Encourages Saskatchewan residents to make equity investments into small- and medium-sized Saskatchewan-based businesses. These broadly based investment corporations issue shares to Saskatchewan residents with the moneys raised being invested in eligible Saskatchewan businesses. Provincial pool funds are governed by provincial legislation. Investors receive provincial tax credits of 20 per cent on investments up to \$5,000 and federal tax credits of 15 per cent on investments up to \$5,000.
- National Pool Funds – These funds have similar objectives as provincial pool funds. The Canadian Income Tax Act governs federal funds and investors receive provincial tax credits of 15 per cent on investments up to \$3,500 and

federal tax credits of 15 per cent on investments up to \$5,000.

Department staff assist all funds in becoming registered in the province and issue both the provincial and federal tax credits to the investors.

Objectives of the program are to encourage Saskatchewan residents to make equity investments in small- and medium-sized Saskatchewan-based businesses that will:

- create and maintain jobs;
- encourage long-term investment in local communities;
- encourage employees to invest in the firm that employs them;
- strengthen the provincial economy by providing venture capital to Saskatchewan companies which assists with the growth and development of these businesses; and
- build a lasting and productive relationship between labour, business and government for the benefit of Saskatchewan.

Key Accomplishments for 2002-03

- Two provincial pool funds, three national pool funds, and 15 employee funds were operating under the program.
- Provincial pool funds had a successful selling season by raising over \$18.6 million.
- National pool funds raised over \$3 million.
- Program enhancements made by legislative amendments increased the annual limit for capital from \$10 million to \$13 million for provincial funds and the maximum number of employees was raised from 300 to 500 for investee companies.
- The program received a new look and emphasis with its re-launching as Invest in Saskatchewan.

Highlights of activities under the LSVCC program are shown in the following chart:

Labour-sponsored Venture Capital Corporations Program		
Employee Funds	Fiscal 2002-03	Program to Date (April 89-March 03)
Number of Registrants Raising Funds	7	25
Funds Invested in Small Businesses	\$20,101	\$7,385,238
Amounts on Which Tax Credits Paid	\$405,055	\$5,916,737
Provincial Tax Credits Issued	\$78,915	\$1,162,404
Jobs Created or Maintained (gross)	179	1,302
Provincial Pool Funds	Fiscal 2002-03	Program to Date
Funds Raised	\$18,641,306	\$49,686,403
Number of Investors	6,647	18,034
Number of Investments Made into Eligible Businesses	20	47
Number of Companies Receiving Equity Funding	16	33
Amount of Funds Invested	\$12,023,724	\$22,096,844
Provincial Tax Credits Issued	\$3,717,462	\$9,908,032
National Pool Funds	Fiscal 2002-03	Program to Date
Funds Raised	\$3,150,687	\$184,487,647
Number of Investors	2,247	69,006
Investments Made into Eligible Businesses	1	26
Eligible Businesses Receiving Equity Funding	1	14
Amount of Funds Invested	\$7,000,000	\$58,012,012
Provincial Tax Credits Issued	\$450,291	\$30,960,852

Exploration and Geological Services Division

The Exploration and Geological Services Division is responsible for encouraging mineral and petroleum exploration in Saskatchewan. The division's main activities include:

- conducting geological research;
- cataloguing and storing drill core, samples of drill cuttings and rock samples for analysis by industry and research geologists;
- collecting, managing, publishing and distributing data associated with the petroleum and mineral industries;
- administering and enforcing regulatory requirements related to Crown mineral lands;
- reviewing and evaluating submissions related to various exploration incentive programs;
- collecting, processing and reviewing mine data and mineral statistics related to the development and conservation of Crown minerals; and
- co-ordinating the department's review of environmental impact submissions related to proposed mineral projects.

Key Accomplishments for 2002-03:

The division developed and implemented a mineral exploration strategy that includes:

- enhanced geophysical surveys,
- financial assistance for prospectors and exploration companies,
- modifications to the gold and base metal royalty structure,
- development of a competitive royalty structure for diamonds, and
- tax rebates for fuel used in exploration and remote mining operations.

It also developed and began implementing a 10-year subsurface geoscience research and geodata management strategy that will involve collaboration with other research providers in Saskatchewan and elsewhere. Building improvements at the Subsurface Geological Laboratory were also completed. The division also developed a business case to scan the mineral and well files.

Northern Geological Survey Branch

The northern geoscience program provides information through field projects including regional geological mapping and site-specific studies of mineral deposits. These investigations assist the mineral industry in the search for new mineral

deposits in Saskatchewan. The information is also required in land-use planning to ensure that high mineral potential lands remain available for exploration while facilitating the establishment of representative ecological areas and parks. Where possible, collaborative research programs are undertaken with the mineral industry, Geological Survey of Canada (GSC) and with the National Sciences and Engineering Research Council (NSERC) supporting university research.

In the Northern Geological Survey Branch, five large, partnered, multi-disciplinary geoscience research projects were undertaken. Two entailed geological mapping, one in the northeast corner of the province and the other on the northwest side of Reindeer Lake. The third project focused on developing an improved understanding of the context of uranium mineralization in the Athabasca Basin to maintain its pre-eminent exploration attractiveness. The fourth project involved the development of new exploration criteria to aid in the identification of undiscovered ore bodies in the Creighton-Flin Flon mining camp. The fifth project focused on improving understanding of the context of the diamondiferous kimberlites of central Saskatchewan to facilitate future exploration and development activity.

Mapping Program

Major Activities and Results:

- The branch completed the second year of a large bedrock and surficial geological mapping program in the Phelps Lake area in the northeast part of the province.
- A new geological mapping program in the Peter Lake Domain on the northwest side of Reindeer Lake was started.
- The third and final year of research on the EXTECH IV Athabasca Uranium Multidisciplinary Study was completed.
- The first phase of a partnered, multi-disciplinary investigation of the factors controlling base metal deposit formation in the historic Creighton-Flin Flon mining camp was completed.

Industrial Minerals

The unit focuses on research, mapping and studies on industrial minerals and diamonds in the southern part of the province.

Major Activities and Results:

- The first set of reliable analytical data from the province's deep saline aquifers was compiled and completed. The highest concentrations reported compared favourably to brines being produced or co-produced for mineral production in various locations around the world.
- Staff compiled file and literature information on the province's deep coal resources and initiated appraisal of the province's coal-bed methane potential.
- Investigation continued on diamondiferous kimberlites of the Fort à la Corne field, east of Prince Albert. This year's program featured the completion of what is thought to be the first three-dimensional seismic survey conducted on a kimberlite target.
- A study of Saskatchewan's sodium sulphate deposits continued.

GIS and Database Development

Database development continued to focus on maintaining and updating existing data files, converting data files into geographic information system (GIS) compatible format and on the use of digital technology for map production. The department collects and catalogues technical data on mineral exploration of the province's resources. The technical information is put into the Saskatchewan Mineral Assessment File, an important database for mineral exploration and land-use planning. Mineral occurrence data is kept in the Saskatchewan Mineral Deposits Index and is used to compile maps that provide an appraisal of mineral resource potential.

Major Activities and Results:

- The Summary of Investigations maps included in the 1994-2002 map packages were made available in digital format.
- Version 5 of the Geological Atlas of Saskatchewan CD-ROM was updated with several geoscience data files linked to the Geological Map of Saskatchewan in GIS format.
- Data from the Geological Atlas of Saskatchewan CD-ROM was made available online for viewing, querying and downloading.
- Existing paper versions of the 1:250,000 scale Compilation Bedrock Geology Map Series were converted to digital format and made available in GIS format.

- Digital databases were maintained and are available in a searchable format on the department Web site and on CD-ROM including the Saskatchewan Assessment File Index, the Saskatchewan Mineral Deposit Index, and Kimberlite Indicator Mineral Surveys database.
- GIS and digital data warehouse development continued for the EXTECH IV Athabasca Uranium Project.
- A project to make all geological maps and reports published by the department available digitally was initiated by beginning to scan the existing paper publications.
- A total of 107 new assessment files were incorporated into the Saskatchewan Mineral Assessment File, bringing the total number of records on hand to 8,981.
- Nine records were added to the Saskatchewan Mineral Deposits Index, which raised the total records to 2,901.
- Visits to the department's Web site totalled 3,023 for the Mineral Deposits Index and 1,187 for the Assessment File Index.

Mineral Resource Assessment Program

A mineral resource assessment (MRA) program was initiated in 1996 in response to land-use planning requirements in the province. A Memorandum of Understanding with Saskatchewan Environment formalized the use of mineral resource assessments and industry review of land-use proposals as part of the planning process. The assessments are available to evaluate various land-use proposals that include Representative Areas Network (RAN) site proposals and those related to various regional land-use plans. Completion of mineral resource assessments has allowed the identification of areas of significant mineral potential as part of the land-use planning process in the province. The purpose of the program is to ensure that those candidate land-use areas, with proposed restrictions on exploration and development activities, recognize areas of significant mineral potential or known resources.

Major Activities and Results:

- Two site proposals in the Foster Lakes area have been tentatively approved subject to the resolution of access issues.
- Twelve mineral resource assessments at a scale of 1:250,000 were completed in 2002-03 in the southern and central portions of the province.

- Discussions are continuing on the following proposed RAN sites:
 - three large site proposals in the far north;
 - a large site proposal south of Cree Lake;
 - a large site proposal in the Firebag Lake area;
 - a small site proposal in the Fort à la Corne Provincial Forest; and
 - two small site proposals in the Nisbet Provincial Forest.

La Ronge Core Library

The Precambrian Geological Laboratory in La Ronge houses both the offices of division staff and the mineralized core collection. The latter is a valuable database for mineral explorers and geological research workers.

The resident geologists in La Ronge and Creighton monitor the mineral exploration industry in northern Saskatchewan and provide up-to-date information on exploration and mining activities and opportunities. The La Ronge staff maintain files on current mineral dispositions, topographic maps, air photos, geological maps and reports, and assessment work submissions. The Creighton office has current mineral disposition maps and assessment work submissions specific to that area.

Petroleum Geology Branch

The branch encourages exploration for, and development of, petroleum and other resources in the province's sedimentary basin by conducting geoscience research, and by collecting and archiving geophysical data, drill core and drill cuttings. Resulting information is provided to industry through the publication of reports, maps, databases and technical papers, as well as through oral and poster presentations at conferences, consultations and examination facilities. As much as possible, collaborative research projects are undertaken with the petroleum industry, other provincial and federal geoscience agencies and universities.

Geoscience Program

The Geoscience Framework component of the International Energy Agency's (IEA) CO₂ Monitoring and Storage Project continued to be the primary focus for the branch's geoscience research. Results

of this basement-to-surface multi-disciplinary program of a 40,000-square-kilometre area are important, not only to CO₂ miscible-flood enhanced recovery operations, but also to developing new exploration strategies and drill targets and to locating potential CO₂ storage sites.

Of special interest to industry were the shallow gas studies in southwestern Saskatchewan. A Southern Saskatchewan Co-operative Subsurface Geoscience Research and Geodata Management Strategy was further developed for implementation anticipated from 2003 to 2012 inclusive. Guidance was provided by the Southern Saskatchewan Geological Resources Advisory Committee with representatives from industry, universities, the Geological Survey of Canada and the department.

A five-year renewal of the Memorandum of Understanding between Saskatchewan Industry and Resources and the North Dakota Geological Survey was signed at the 10th Annual Williston Basin Horizontal Well and Petroleum Conference held in Bismarck in May 2002.

Major Activities and Results:

- IEA Weyburn CO₂ Monitoring and Storage Project, Geoscience Framework: geological mapping was mostly completed; co-ordination and integration of hydro-geological, 2D seismic, remotely sensed imagery, and other geoscience research is ongoing.
- Thirty geological maps of Devonian units in the IEA Weyburn Project Geoscience Framework Area were prepared for release at the 11th Williston Basin Horizontal Well and Petroleum Conference. Mississippian and Mesozoic maps are close to completion.
- Final editing of Mannville Report was completed and computer drafting of maps, cross-sections and figures with hotlinks from text to figures were inserted. This report is to be released at the 11th Williston Basin Horizontal Well and Petroleum Conference.
- Shallow gas studies in southwestern Saskatchewan were initiated, with particular focus on the Milk River play in the Shackleton area.
- Northern Geological Survey and the University of Regina along with branch staff worked to start evaluating province's coal bed methane potential.

- Three two-year grants were awarded totalling \$46,000 to support geo-science projects initiated by the Department of Geological Sciences, University of Saskatchewan.
- Volume 1 of the Summary of Investigations 2002 publication was produced, containing 16 papers that provide information on current research of Saskatchewan's Phanerozoic sedimentary rocks.
- Stratigraphic Correlation Chart of Saskatchewan's Phanerozoic strata was published.
- Stratigraphic information from 1,391 wells was processed and added to the Well Information System. The backlog of stratigraphic data to process now stands at 931 wells.

Sedimentary Geodata

Sedimentary Geodata is responsible for the storage and dissemination of all regulated well data and geophysical submissions.

Approximately 78,500 well files contain such data as well licences, well site survey plans, drilling and completion reports, geophysical logs, core analyses, fluid analyses, drillstem tests, geologic reports, well activity reports and pressure surveys. Unit staff interpret, summarize, and enter the well data into a mainframe Well Information System (WIS) for online, in-house use. The information is very important to the petroleum, potash and other mining industries, data-clearing houses, academic institutions, survey companies and the general public. It is continuously utilized in both hard copy and digital formats.

All seismic programs conducted in Saskatchewan must be approved by Geodata, which also refers the programs to other departments, agencies and municipalities for approval and identification of program restrictions. Geodata stores all regulated data produced by these programs. Staff meet with various organizations, individuals and land owners to explain, and alleviate concerns about, seismic activities.

Major Activities and Results:

- A business case to scan information contained in the well information system is in final stages of preparation; plans are being formulated to consult with industry and data providers prior to finalizing a proposal.

- The department's backlog of well data to enter into the Well Information System decreased by 28 per cent to 3,547 wells despite a 30 per cent increase in drilling license applications. The backlog for vertical wells has been eliminated, while the backlog for horizontal wells continues to be reduced.
- Well files were accessed in approximately the same quantities as in the past several years: 38,000 times by staff, 60,000 times by industry, and 10,000 times by other government personnel.
- Timelines continued to improve for the industry's data submissions to the department.
- Seismic exploration increased slightly, with approval of 288 seismic plans with 13,400 approved kilometres and 9,000 completed.

Subsurface Geological Laboratory

The Subsurface Geological Laboratory in Regina contains the offices of the Petroleum Geology Branch's research geologists, GIS technicians and warehouse staff. It also houses archived core and cuttings recovered primarily during oil, gas, and potash exploration and development drilling, geophysical logs, rock and mineral samples from mapping of the Precambrian Shield, and some northern drill core. Examination facilities, including a confidential viewing room valuable to industry, are available.

Major Activities and Results:

- Improvements to the office, core examination and warehouse areas of the Subsurface Geological Laboratory were completed.
- New cores from 154 wells totalling 2,205 boxes were archived. This brings the total number of boxes in the facility to 344,784.
- New samples of drill cuttings from 701 wells were processed, bringing the total number of vials in storage to 3,162,608.
- Geologists from 201 different organizations spent 1,162 person-days examining geological material, mostly core (33,385 boxes).
- A total of 4,086 boxes of core were sent away for outside examination at the request of customers.
- An Operations and Safety Manual for the Subsurface Geological Laboratory was completed.
- Saskatchewan's oil and gas industry was supported through the Subsurface Geological

Laboratory, re-opening the core library, acquiring new offices, a new roof, new equipment and fire protection.

Mines Branch

The Mines Branch has a regulatory role related to the administration of Crown mineral rights and the responsible development and conservation of Crown minerals. The disposition of Crown mineral rights for potash, uranium, coal, salt, precious and base metals, sodium sulphate and quarriable substances are administered by staff located in Regina and La Ronge. Branch staff collect and review statistical information submitted by the mineral industry and issue various regulatory approvals related to mining operations.

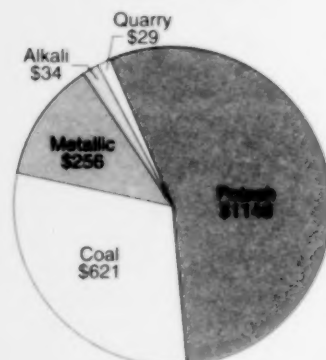
Crown Mineral Rights

The province encourages the development of Crown minerals by making available the use of Crown mineral rights to industry for exploration and development. Crown mineral rights can be acquired in the form of licences, permits, claims, leases and special agreements. The branch is responsible for the disposition of all Crown minerals and for auditing the assessment work and expenditure report submissions required in order to keep mineral dispositions in good standing.

Major Activities and Results:

- Revenue of \$2.1 million was generated from the acquisition and rental of Crown mineral rights in 2002-03.

2002-03 MINERAL TENURE REVENUE (ACQUISITION AND RENTAL FEES) - thousands of dollars-



- As shown in the following table, 4,532 metallic and industrial mineral dispositions, totalling 2.68 million hectares were under disposition as of March 31, 2003.
- The mineral industry acquired mineral rights for 300 900 hectares during the fiscal year.
- The branch reviewed 741 submissions of mineral assessment work and approved \$16 million of expenditures. Uranium-related assessment work represented 44 per cent of the approved expenditures, while work related to diamond exploration activities represented 38 per cent of approved expenditures.
- One Crown reserve was established and 296 land selections were reviewed comprising over 149,000 hectares.
- The mapping of Surface Lease Agreements was completed.
- Two claims inspections were completed.

Crown Metallic and Industrial Mineral Dispositions				
	Number	March 31/02 Hectares	Number	March 31/03 Hectares
Mineral Claims	3,493	2,471,617	3,483	2,269,671
Permits	17	88,773	19	37,531
Special Agreements	1	10,731	0	0
Mineral Leases	115	38,003	110	31,193
Alkali Leases	36	12,700	36	12,700
Coal Leases	756	111,864	760	111,872
Quarry Leases	94	4,191	112	4,101
Potash Leases	12	217,196	12	217,728
Total	4,524	2,955,075	4,532	2,684,796

Laboratory, re-opening the core library, acquiring new offices, a new roof, new equipment and fire protection.

Mines Branch

The Mines Branch has a regulatory role related to the administration of Crown mineral rights and the responsible development and conservation of Crown minerals. The disposition of Crown mineral rights for potash, uranium, coal, salt, precious and base metals, sodium sulphate and quarriable substances are administered by staff located in Regina and La Ronge. Branch staff collect and review statistical information submitted by the mineral industry and issue various regulatory approvals related to mining operations.

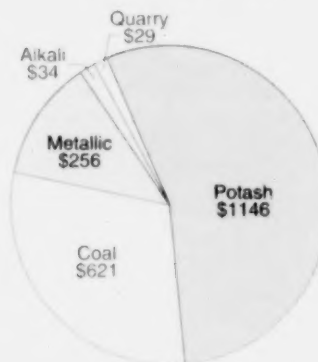
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- Staff plotted 145 paper mineral disposition maps for clients and prepared another 1,097 for internal use.
- Mineral exploration expenditures in millions of dollars for grassroots programs are shown below:

	2001 Actual Expenditures *millions of dollars	2002 Actual Expenditures *millions of dollars
Uranium	14.0	15.4
Gold	1.0	2.5
Base Metals	1.3	1.7
Diamond	4.8	7.1
Others	1.8	2.1
Total	22.9	28.8

Mine Data and Mineral Statistics

The department is responsible for the development and conservation of all Crown minerals. The mine data and mineral statistics program monitors mining developments, collects, processes and reviews mineral statistical data including production and value of sales; reviews and reports exploration expenditures; prepares metallic mineral (except uranium) royalty and economic forecasts; issues coal test hole permits, authorizes potash well plugging and abandonments; processes revisions to potash leases and unitized areas; and maintains historical records. It also co-ordinates the review of all environmental project submissions referred to the department and provides input to the Environmental Assessment Technical Review Panel for mining development projects and to the Federal-Provincial-Territorial Committee on Mineral Statistics.

Major Activities and Results:

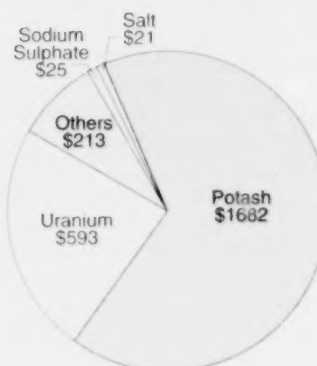
- Twenty-nine mining operations including potash, uranium, coal, gold, silver, copper, zinc, salt, clay, bentonite and sodium sulphate were in production in 2002.
- The industry produced \$2.5 billion of sales of minerals in Saskatchewan in 2002 (shown below).
- Collected, reviewed and processed 568 mineral statistical reports. Also handled numerous requests for statistical information.

- Participated in the Saskatchewan Mineral Exploration Government Advisory Committee (SMEGAC) to provide a consolidated process for consultation between the mineral exploration industry and Saskatchewan government regulators, and to develop practical and efficient environmental guidelines and permitting processes for exploration activities.
- Administered the Mineral Exploration Tax Credit program to encourage investment in Saskatchewan exploration properties by Saskatchewan taxpayers.
- Completed the negotiation of one potash unit area proposal and initiated the review of another.
- Reviewed and authorized applications for plugging and abandonment of nine potash production wells at the Belle Plaine mine; revised one potash lease and initiated the review of another.
- Reviewed 16 annual mine excavation plans.
- Reviewed and authorized applications for 759 coal test holes at the Poplar River Mine and south of the town of Bienfait.
- Co-ordinated the review and response to three Environmental Impact/Assessment project submissions.

Value of 2002 Saskatchewan Mineral Sales

- millions of dollars-

Others includes coal, gold, silver, copper, zinc & bentonite



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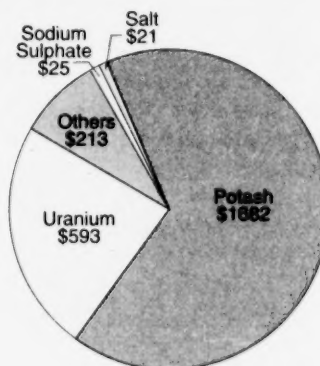
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Public Awareness, Conferences and Workshops

The objective of the public information program is to promote awareness of Saskatchewan's mineral and energy industry and the province's significant resource potential among the general public and to the mining and exploration industry outside the province. This is achieved by responding to specific inquiries, producing and distributing educational materials, developing and exhibiting promotional displays for major exhibitions, and publishing articles in trade magazines.

Major Activities and Results:

- The 10th Annual Williston Basin Horizontal Well and Petroleum Conference, co-sponsored by Industry and Resources and the North Dakota Geological Survey, took place in Bismarck in May 2002.
- The annual Saskatchewan Geological Survey Open House, held in Saskatoon in December 2002 attracted approximately 300 industry representatives.
- Talks and displays were given at the annual conventions of the Canadian Society of Petroleum Geologists in Calgary and the Geological Association of Canada in Saskatoon.
- A day-long geoscience session for teachers was organized at the annual convention of the Geological Association of Canada, and a pre-conference three-day field trip to the Flin Flon area.
- The branch organized the annual Geoscience School Lecture (sponsored by the Saskatchewan Geological Society), attended by 1,500 Regina-and-area students.
- The Geoscape Southern Saskatchewan poster was compiled and edited in collaboration with the Geological Survey of Canada, the Prairie Farm Rehabilitation Administration, the Saskatchewan Watershed Authority, the Royal Saskatchewan Museum and the University of Regina.
- Displays were exhibited illustrating Saskatchewan's mineral resources and potential at the Prospectors and Developers Association of Canada convention in Toronto and the Cordilleran Roundup conference in Vancouver, and during Mining Week at the Saskatchewan Science Centre in Regina.

- Presentations were delivered at the 6th International Conference on Greenhouse Gas Control Technologies in Kyoto and at the United Nations' Intergovernmental Panel on Climate Change Workshop on Carbon Capture and Storage in Regina.
- The Saskatchewan Mining Association conducted a five-day teachers' mine tour with the branch's assistance. The department also hosted tours for teachers of its Regina and La Ronge core lab facilities.

For More Information:

Exploration and Geological Services Division
Saskatchewan Industry and Resources
2101 Scarth Street
Regina, SK S4P 3V7

Telephone: (306) 787-2476

Facsimile: (306) 787-1284

Major Saskatchewan Resource Industries

Statistical Summary – Minerals

URANIUM	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Production (million kg)	10.0	10.6	11.6	13.3	14.2	N/A	N/A	12.2	15.1	13.7
Sales (\$ millions)	\$375	\$408	\$432	\$651	\$557	N/A	N/A	\$419	\$562	\$593
Royalty/Tax (\$ millions)*	\$31.7	\$20.2	\$44.7	\$57.9	\$38.5	N/A	N/A	\$38.7	\$22.7	\$29.2
Direct Employment (mine site)	1,198	1,204	1,458	1,749	1,918	N/A	N/A	1,555	1,307	1,316
Capital Spending (\$ millions)	\$54	\$37	\$126	\$245	\$277	N/A	N/A	\$49	\$48	\$40
COAL	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Production (million tonnes)	10.0	10.7	10.7	10.8	11.6	N/A	N/A	N/A	N/A	N/A**
Sales (\$ millions)	\$94	\$104	\$116	\$116	\$122	N/A	N/A	N/A	N/A	N/A**
Royalty/Tax (\$ millions)*	\$15.3	\$15.6	\$15.2	\$15.1	\$17.4	N/A	N/A	N/A	N/A	N/A**
Direct Employment (mine site)	558	573	537	540	580	N/A	N/A	N/A	N/A	N/A**
Capital Spending (\$ millions)	\$23	\$8	\$5	\$6	\$9	N/A	N/A	N/A	N/A	N/A**
PRECIOUS & BASE METALS	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Gold										
Production (thousand troy ounces)	57	57.1	57.1	50.5	94.8	106.9	131.5	N/A	N/A	N/A
Sales (\$ millions)	\$33.4	\$37.1	\$25.8	\$25.3	\$45.4	\$55.8	\$67.5	N/A	N/A	N/A
Silver										
Production (thousand troy ounces)	6.1	7.3	nil	nil	nil	nil	nil	N/A	N/A	N/A
Sales (\$ millions)	\$0.03	\$0.04	nil	nil	nil	nil	nil	N/A	N/A	N/A
Base Metals										
Production (million kg)	0.7	0.7	nil	nil	nil	nil	nil	N/A	N/A	N/A
Sales (\$ millions)	\$1.3	\$0.9	nil	nil	nil	nil	nil	N/A	N/A	N/A
Precious and Base Metals										
Revenues (\$ millions)*	\$1.8	\$1.2	\$1.3	\$1.0	\$0.4	\$0.7	\$1.0	N/A	N/A	N/A
Direct Employment (mine site)	158	100	157	188	232	357	327	N/A	N/A	N/A
Capital Spending (\$ millions)	\$22	nil	\$4.5	\$43	\$10	\$15	\$6	N/A	N/A	N/A

Major Saskatchewan Resource Industries

Statistical Summary – Minerals

OTHER** (Includes Bentonite, Quarriable Materials Coal, Uranium, Gold, Silver and Base Metals)	1998	1999	2000	2001	2002 (est)
Production (million tonnes)	11.81	11.69	11.22	11.42	11.40
Sales (\$ millions)	\$638.2	\$672.6	\$614.1	\$764.8	\$806.0
Revenues (\$ millions)*	\$47.2	\$39.8	\$53.4	\$37.5	\$51.7
Direct Employment (mine site)****	2,704	2,505	2,251	1,966	2,045
Capital Spending (\$ millions)	\$305	\$296	\$77	\$70	\$79
Exploration Expenditures (\$ millions)***	\$29.5	\$28.4	\$24.2	\$22.9	\$28.8

* All revenue figures, including royalties/taxes, are for the fiscal year beginning in the year shown.

** Significant changes in the number of companies producing minerals in Saskatchewan occurred in 1998. Regulatory requirements related to confidentiality do not permit commodity specific information to be released where there are less than three producing companies. This information is aggregated and presented in the "other" category, which includes Bentonite, Quarriable Materials, Coal, Uranium, Gold, Silver and Base Metals.

*** Uranium, Precious and Base Metals, Diamonds, Silica Sand, Industrial Minerals and Rare Earth Minerals.

**** Additionally, approximately 300 Saskatchewan residents are employed at the HBMS operations in Flin Flon, Manitoba.

POTASH	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Production (thousand K ₂ O tonnes)	5,824	7,148	7,925	6,969	8,297	8,646	7,909	8,721	7,799	8,154
Sales (\$ millions)	\$792	1,099	\$1,210	\$1,098	\$1,501	\$1,611	\$1,632	\$1,697	\$1,601	\$1,682
Net Royalty/Tax (\$ millions)*	\$51.3	\$ 89.0	\$122.3	\$87.6	\$189.5	\$202.5	\$169.5	\$199.3	\$179.7	\$175.1
Direct Employment	2,885	2,879	2,958	2,978	3,012	3,143	3,081	3,035	3,061	3,040
Capital Spending (\$ millions)	\$38	\$53	\$70	\$108	\$129	\$161	\$101	\$107	\$109	\$98

* All revenue figures, including royalties/taxes, are for the fiscal year beginning in the year shown.

Petroleum and Natural Gas Division

The Petroleum and Natural Gas Division is responsible for both promoting development of the province's oil and gas resources and regulating many of the activities of the industry to ensure compliance with resource conservation, environmental protection and engineering safety standards.

The primary functions of the division include the disposition and administration of Crown petroleum and natural gas rights, the development of oil and gas royalty/tax policy, licensing of wells, pipelines and seismic contractors, engineering assessment of industry applications for resource development, establishment and monitoring of environmental protection provisions, and the gathering, processing and validation of oil and gas production and disposition data.

The functions of the division are carried out through the operation of five branches: Engineering Services, Geology and Petroleum Lands, Petroleum Royalties, Petroleum Statistics and Petroleum Development.

Engineering Services Branch

Oil and Gas Reservoirs

The oil and gas reservoir assessment program evaluates oil and gas reservoirs, wells and projects to determine reserves for encouraging and facilitating resource development. Reservoirs and wells are also assessed when evaluating industry proposals for horizontal drilling, water floods, enhanced recovery, waste water disposal wells, off-target wells, commingling, unitization and pipelines.

The reserve data is used extensively by the government in making policy decisions on energy supply and demand. This information is also used by the oil and gas industry in making investment decisions.

Industry applications are assessed promptly to ensure investments are not delayed.

Major Activities and Results:

- Information on oil and gas reserves was reviewed and published. Initial oil reserves increased by 25 million cubic metres and initial gas reserves by 4.6 billion cubic metres. Remaining reserve estimates for 2002 (as

shown in Figures 1 and 2) show an increase for natural gas and a slight decrease for oil.

- More than 1,000 applications were reviewed for various projects such as horizontal drilling, water floods, enhanced recovery, wastewater disposal wells, good production practice, off-target wells, commingling, unitization and pipelines.
- As shown in Figure 3, the approval of industry applications resulted in the drilling of 342 horizontal wells in 2002, representing \$240 million in investment.
- The 80 applications for new or expanded water floods and enhanced oil recovery projects resulted in significant investments in new facilities with great potential for increases in oil production. The 101 wastewater disposal well application approvals allowed for more efficient and economical operation of oil facilities in an environmentally responsible manner.
- The branch issued 32 pipeline licences in 2002 for new construction providing for new investments and more efficient transportation of oil and natural gas.

Figure 1 - Remaining Oil Reserves
Million Cubic Metres

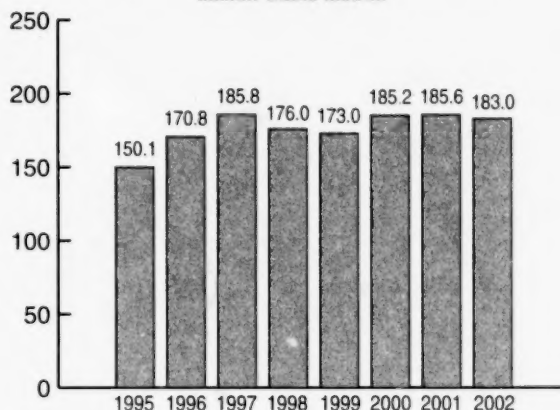


Figure 2 - Remaining Gas Reserves
Billion Cubic Metres

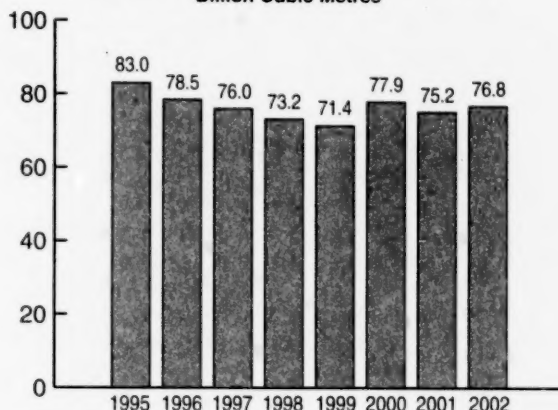
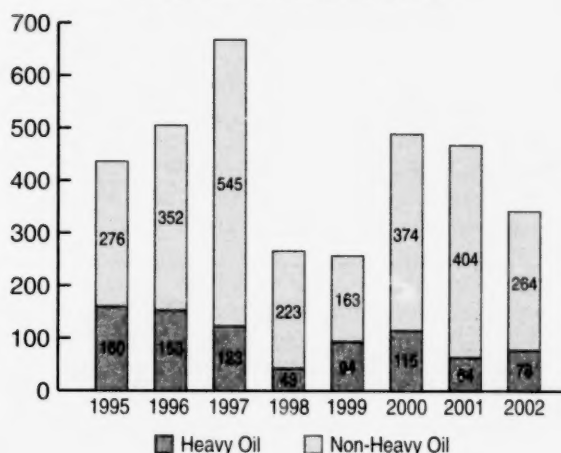


Figure 3 - Horizontal Wells



Oil and Gas Conservation

The oil and gas conservation program establishes, monitors and enforces sound oil and gas conservation standards to ensure responsible development of the province's oil and gas resources. The program ensures pool boundaries and well spacing orders are current and establishes and monitors production limitations to ensure that they are not exceeded.

Major Activities and Results:

- Pool boundaries and well spacing orders were established with 133 orders issued in 2002. The well spacing orders are in response to industry applications to optimize oil and gas recovery.

- Production allowable limits were issued for all new oil and gas wells.
- Oil and gas production was monitored to determine if well production exceeded that allowed. Notification and warnings were sent to all companies that exceeded allowable amounts.

Geology and Petroleum Lands Branch

Sale of Crown Oil and Gas Rights

The province develops oil and gas mineral rights by selling the use of those rights to industry for exploration and development. The disposition of Crown oil and gas rights to industry is in the form of special agreements, special exploratory permits, exploration licences, permits and leases. Specific lands requested by oil and gas companies are advertised in six sales held during the year. The lands are evaluated by department geological staff to determine fair market value. The successful bidders in the sale are awarded the rights, which permit companies to explore for, and to produce, oil and gas.

Major Activities and Results:

- Six land sales in 2002-03 resulted in revenues of \$110.1 million.* Revenue derived from the sale of petroleum and natural gas rights is shown in Figure 4.
- The branch disposed of 776,184 hectares in mineral rights during the fiscal year. The dispositions consisted of two special exploratory permits containing 118,582 hectares, 142 exploration licences covering 278,240 hectares, and 1,632 lease parcels containing 379,362 hectares.
- Lands sold in natural gas-prone areas of the province were clearly a highlight of the year. Gas prone mineral lands amounting to 521,159 hectares brought in bonus bid revenues of \$76.2 million or 69 per cent of sale revenue. This is up from the five-year average of 45 per cent.
- Development of a new geological, computer-based mapping program, named the Phoenix Project, continued to replace 125 geological maps used in the evaluation of Crown oil and gas rights.

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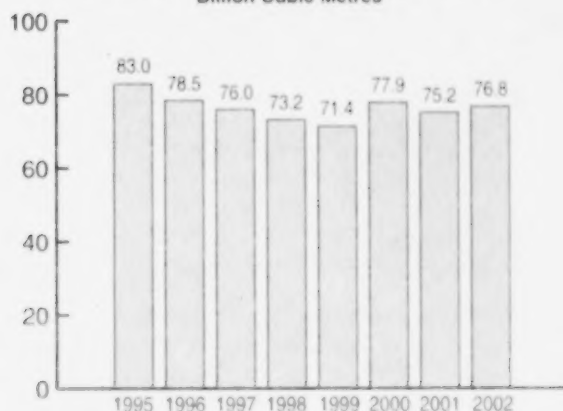
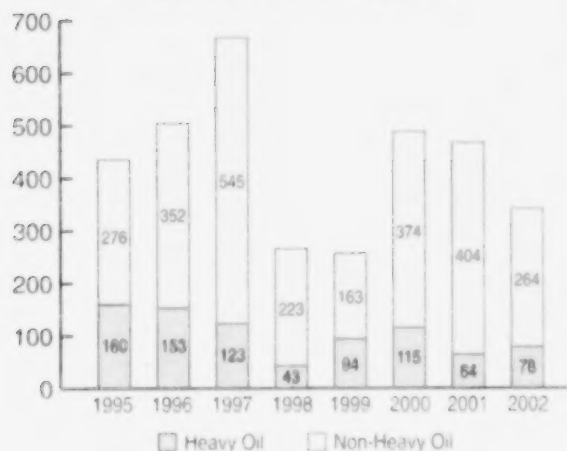


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Figure 4 - Revenue Received from Sales of Crown Petroleum and Natural Gas Rights 2002-03



* Excludes negotiated leases and lease conversions occurring throughout the year accounting for about \$38,000 in bonus bid revenues.

Administration of Crown Oil and Gas Rights

The department administers and reviews all dispositions of Crown oil and gas rights to ensure that regulatory requirements are met. This process is expanded with the incorporation of the reversion of deeper rights. A registry of conveyance agreements, encumbrances and securities related to Crown dispositions is maintained to monitor business activity and regulated operations.

A database is used to invoice lease rentals and to monitor offset commitments and compensatory royalties. The registry and search systems are used by the oil and gas industry, lawyers, financial institutions and many others.

Major Activities and Results:

- Reviewed 11,357 expiring and non-producing petroleum and natural gas dispositions to determine whether the dispositions should be continued.
- Performed 2,144 disposition transactions and 2,855 searches.
- Monitored work requirements of permits and drilling reservations and reviewed and enforced offset commitments.
- As shown in Figure 5, 5.56 million hectares of Crown oil and natural gas rights were under disposition as at March 31, 2003.
- Twelve helium leases were under disposition with an area of 22,803 hectares and nine helium permits were under disposition with an area of 180,362 hectares.

Figure 5 - Crown Oil and Gas Rights (Dispositions)

Category	March 31, 2002		March 31, 2002	
	No.	Hectares	No.	Hectares
Leases	20,750	4,884,606	19,805	4,819,161
Permits	1	3,258	1	3,258
Exploration Licences	65	186,110	182	399,038
Special Exploratory Permits	4	192,188	6	310,818
Lease of Space Agreements	19	26,127	22	26,434
Total	20,839	5,292,289	20,016	5,558,709

- Three oil shale leases were under disposition with an area of 1,327 hectares and 19 oil shale permits were under disposition with an area of 565,985 hectares.

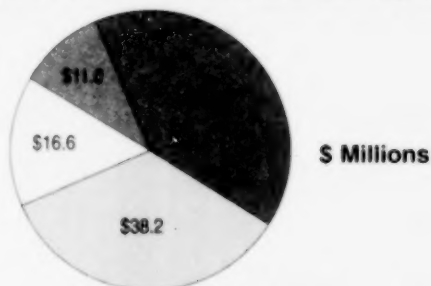
Petroleum Royalties Branch

Major changes to the province's Crown royalty and freehold production tax regimes were introduced for oil and gas to increase exploration and development activity and create new jobs in the province. The changes provide a more competitive investment environment for oil and gas operations and simplified royalty and tax regimes.

For the fourth year in a row, a record number of natural gas wells were drilled in the province.

Figure 4 - Revenue Received from Sales of Crown Petroleum and Natural Gas Rights 2002-03

	\$ Millions
Lloydminster	16.6
Kindersley	38.2
Swift Current	44.3
Estevan	11.0
Total	110.1*



* Excludes negotiated leases and lease conversions occurring throughout the year accounting for about \$38,000 in bonus bid revenues.

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Special Exploratory Permits	4	192,188	6	310,818
Lease of Space Agreements	19	26,127	22	26,434
Total	20,839	5,292,289	20,016	5,558,709

- Three oil shale leases were under disposition with an area of 1,327 hectares and 19 oil shale permits were under disposition with an area of 565,985 hectares.

Petroleum Royalties Branch

Major changes to the province's Crown royalty and freehold production tax regimes were introduced for oil and gas to increase exploration and development activity and create new jobs in the province. The changes provide a more competitive investment environment for oil and gas operations and simplified royalty and tax regimes.

For the fourth year in a row, a record number of natural gas wells were drilled in the province.

Oil and Gas Royalty and Tax Policy

The oil and gas royalty and tax policy program is responsible for the valuation of royalty/tax systems by reviewing, developing and implementing Crown royalty and freehold production tax structures and incentives applicable to crude oil and natural gas production in Saskatchewan. The program ensures:

- proper systems are in place in order for the province to receive an appropriate share of revenue from the oil and natural gas produced in the province;
- reasonable levels of exploration and development activity are maintained in the province; and
- maximum economic recovery of crude oil and natural gas occurs from established reservoirs.

The royalty and tax structures and incentives are reviewed from time to time as technology and economic conditions change. Consultation with industry is a key component of all reviews.

Under the program, the impacts of short- and long-term world price movements and quality differential adjustments, provincial royalty and tax situations, federal income tax provisions, and technological changes related to the oil and gas industry in Saskatchewan are evaluated. The impacts are measured by projecting the trends in drilling activity, production, revenue, employment and investment. This information is used for internal government economic and budget planning purposes, for analysis of royalty and freehold production tax options, and for response to a number of inquiries from energy boards, municipalities, and oil producing, refining and transporting companies.

Major Activities and Results:

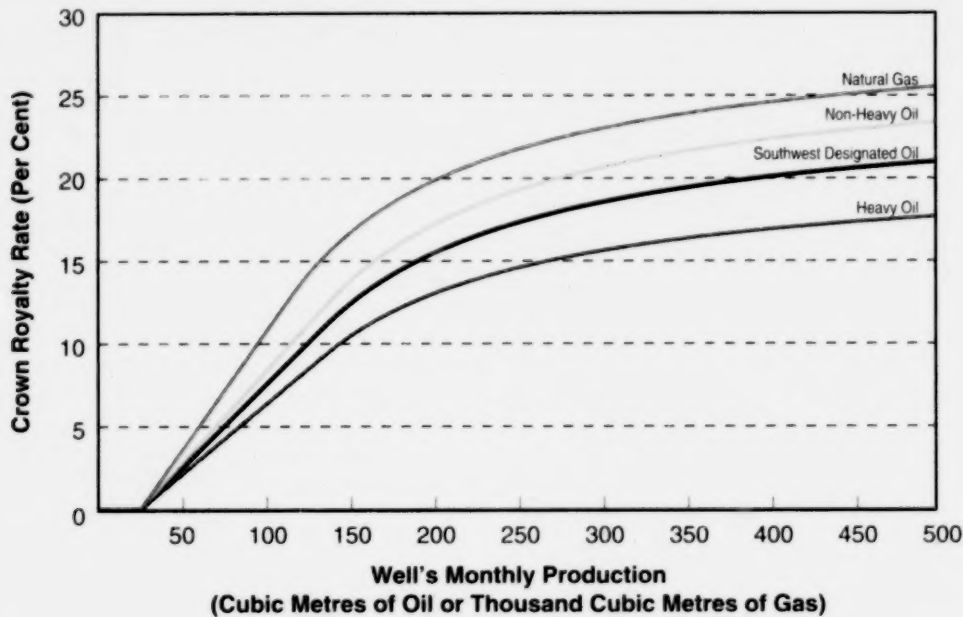
- Implemented major changes to the province's Crown royalty and freehold production tax fiscal regimes for crude oil and natural gas effective October 1, 2002. The changes were made to improve the province's competitiveness with other jurisdictions and to provide simplified regimes for industry to administer. The province will benefit from increased exploration and development investments, jobs and revenue from the changes.
- Drafted amendments to The Crown Oil and Gas Royalty Regulations and The Freehold Oil and Gas Production Tax Regulations, 1995 to incorporate the royalty/tax changes announced in 2002.

- Developed a new set of regulations called The Recovered Crude Oil Tax Regulations pursuant to Part III of The Freehold Oil and Gas Production Tax Act. These regulations set out the tax system applied to crude oil recovered from oilfield facilities such as water disposal/injection facilities, cavern facilities and waste processing facilities. This crude oil was produced from an underground reservoir but was never measured as production from a well for Crown royalty or freehold production tax purposes.
- Reviewed 15 applications and approved approximately 45 wells under the royalty/tax program for high water-cut oil wells. This program is designed to extend the producing lives and improve the recovery rates of oil wells producing fluid containing more than 95 per cent water.
- Reviewed approximately 4,250 new oil and gas well licences to determine the proper Crown royalty and freehold production tax structure and incentive volume for each well.
- Determined the average oil and gas prices for every month and made adjustments to the basic Crown royalty and freehold production tax structures for both oil and gas production in accordance with established price sensitive policies.
- Prepared numerous forecasts of production, price, revenue, employment, and investment that measured the economic and financial impact of the oil industry.

Impacts:

- High crude oil and natural gas prices throughout most of 2002, coupled with the fiscal changes, resulted in significant levels of drilling activity in the province. In 2002, 3,517 oil and gas wells were drilled compared to 3,333 in the previous year. The 2002 gas well drilling total of 1,874 was a new record, surpassing the previous record of 1,409 established the previous year.
- In 2002-03, the average royalty/tax rate was 14.4 per cent for oil and 13.2 per cent for natural gas, resulting in an overall provincial average rate of 14.2 per cent.
- Figure 6 illustrates the October 2002 Crown royalty curves for newly drilled oil wells (heavy, southwest designated non-heavy and non-heavy) and gas wells. The curves, which are adjusted every month in accordance with established price sensitive policies, apply on an individual well basis and after each well has produced its up-front incentive volume.

Figure 6 - Crown Royalty Curve



The following table provides a breakdown of drilling:

New Oil and Gas Wells Drilled in 2002

Well Category	Producing	Abandoned	Service	Total
OIL:				
Conventional:				
Vertical	1,115	96	89*	1,300
Horizontal	315	1	16*	332
Total	1,430	97	105	1,632
Enhanced Oil Recovery (EOR ¹):				
Vertical	1	0	*	1
Horizontal	10	0	*	10
Total	11	0		11
Total Oil Wells	1,441	97	105	1,643
GAS:				
Total (all vertical)	1,847	27	0	1,874
TOTAL	3,288	124	105	3,517

* The split of total service oil wells into the conventional and EOR oil well categories is not available.

¹ EOR means enhanced oil recovery projects such as firefloods, steamfloods, and CO₂ floods but excludes waterfloods.

Major Saskatchewan Resource Industries

Statistical Summary – Oil and Gas

CRUDE OIL	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Production (million cubic metres)	14.97	17.19	18.75	20.94	23.45	23.15	21.71	24.25	24.75	24.42
Sales (\$ millions)	\$1,472	\$1,878	\$2,292	\$3,105	\$2,868	\$1,940	\$3,058	\$5,032	\$3,698	\$4,646
Direct Employment	5,410	5,730	6,070	6,840	7,860	5,640	6,000	7,440	7,780	7,280
Capital Spending (\$ millions)	\$558	\$985	\$1,045	\$1,436	\$2,545	\$1,141	\$920	\$1,550	\$1,450	\$1,230
Wells Drilled	1,315	1,421	1,881	2,539	3,608	1,064	1,391	2,396	1,924	1,643
Revenues to Province (\$ millions*)										
Net Royalty/Tax	\$198.5	\$306.4	\$346.9	\$525.1	\$354.4	\$233.6	\$565.6	\$712.7	\$477.5	\$727.6
Oil & Gas Land Bonus Bids**	\$84.0	\$202.0	\$67.6	\$140.8	\$109.2	\$48.7	\$48.1	\$55.7	\$53.6	\$110.2
Other Revenue***	\$17.9	\$20.2	\$32.8	\$24.8	\$25.1	\$22.2	\$26.4	\$30.6	\$24.2	\$24.5
Total Revenues	\$300.4	\$528.6	\$447.3	\$690.7	\$488.7	\$304.5	\$640.1	\$799.0	\$555.3	\$862.3
NATURAL GAS	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002 (est)
Production (million cubic metres)	7,667	8,519	8,715	8,066	7,818	7,694	7,907	8,148	8,257	
Sales (\$ millions)	\$358	\$490	\$347	\$343	\$395	\$423	\$611	\$1,094	\$1,260	
Net Royalty/Tax (\$ millions)*	\$50.3	\$61.4	\$41.3	\$53.0	\$44.1	\$65.9	\$91.8	\$239.3	\$129.1	\$152.7
Direct Employment	625	670	395	440	425	575	779	894	933	
Capital Spending (\$ millions)	\$170	\$169	\$42	\$64	\$55	\$73	\$117	\$159	\$186	
Wells Drilled	969	1,000	268	369	327	634	1,038	1,209	1,409	1,874

* All revenue figures, including royalties/taxes, are for the fiscal year beginning in the year shown.

** Land bonus bids are less the Sand Hill credits.

*** Other revenues include lease rentals, interest and net royalty payments for the fiscal year beginning in the year shown.

Petroleum Statistics Branch

Oil and Gas Production and Disposition Data

The oil and gas data program collects, validates and disseminates data through a database related to the production, disposition and marketing of crude oil, natural gas, water and associated products from all operating wells and facilities in the province. Also, a comprehensive database is maintained and updated containing status information for new and existing wells and facilities.

The databases are used in the collection of royalties and taxes, forecasting, monitoring and

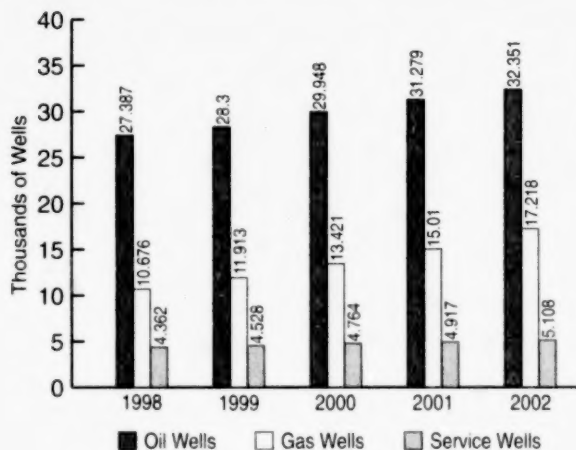
evaluating Crown lands under disposition. They are also used to analyse and develop resource management policy and fiscal regimes and to establish, monitor and enforce oil and gas conservation, and environmental and safety standards.

The oil and gas industry relies extensively on the petroleum disposition and production database for production information to facilitate its exploration and development activities in the province. Data service vendors, consulting firms, legal firms, federal and provincial government agencies, universities and the general public also use the information.

Major Activities and Results:

- Processed and verified approximately 18,000 statistical reports each month on the production, disposition and marketing of crude oil, natural gas, water and associated products from about 38,000 operating wells and all other facilities in the province. The total number of wells capable of production/injection rose by 3,471 wells to 54,677 as of year-end. The number of wells capable of production, by well type, for the past five years is shown in Figure 7.

Figure 7 - Wells Capable of Production/Injection



- Reviewed and processed a total of 5,184 status updates from industry on new and existing wells and units due to changes related to the date of first production, re-completion, reclassification, suspension, resumption, and royalty and tax eligibility. The accuracy and integrity of this database within the department's Well Information System are essential to facilitate accurate reporting and royalty/tax collection.
- Reviewed and processed 4,210 applications related to new facility codes and changes to the operatorship and status of existing facilities. The number of new oil, gas and other facilities in the province increased by 920 in the year to reach a total of approximately 8,700.
- Continued work associated with price monitoring and auditing functions to facilitate the verification of reported oil and gas sales and pricing information. Collected, evaluated and analysed terms and conditions of oil and gas contracts, invoices, purchaser statements, pipeline statements, transportation agreements and heating value information in order to ensure

proper revenue collection. The accuracy of the sales and pricing information directly affects oil and gas royalty/tax revenues.

- Handled requests for statistical information from industry clients, federal and provincial government agencies, consulting firms, universities and the general public. Prepared monthly reports and statistical publications, including the Mineral Statistics Yearbook. Revenues generated from the sale of reports, publications and statistical information totalled nearly \$33,000.
- Continued maintenance work on the Production and Disposition System (PDS) to identify and implement measures to increase efficiency, enhance program functionality, reduce operating costs and ensure adequate support for the business needs of the department and industry.
- Administered and monitored activity under the Mandatory Electronic Data Submission Program for oil and gas volumetric and valuation data. Notified companies meeting a certain well-count threshold and gave them six months to comply with the electronic filing requirements. Efforts were successful in encouraging more companies to submit data electronically, including those that do not meet the mandatory well count threshold. By year-end, 86 companies were filing electronically, which represents about 72 per cent of the total data volume collected and processed by the branch.
- Administered the Compliance Enforcement Program and associated computer support system for late report submissions. This includes the preparation of detailed monthly penalty assessment information for invoicing purposes, addressing industry feedback and issues regarding the program, and reviewing and responding to penalty assessment appeals. The Compliance Enforcement Program continues to be a success in meeting its objective, which is to ensure timely and accurate reporting by industry. Delinquent reports subject to penalty assessment were about 0.1 per cent of the total reports submitted.

Petroleum Development Branch

Oil and Gas Environmental and Safety Standards

The environmental and safety standards program establishes guidelines for, and monitors the drilling,

production, operation, and well and facility abandonment, decommissioning and reclamation activities of, the oil and gas industry. Standards and procedures are established for casing wells, waste management, reporting and cleaning up spills, storage of products, safe distances for wells, equipment and facilities, injection well design and well abandonment. Ongoing monitoring of oil and gas industry activity ensures operations are being conducted in accordance with established guidelines, standards and policies, and ensures the overall impact to the environment is minimized.

Field offices are located in Lloydminster, Kindersley, Swift Current and Estevan. Regina field staff look after matters pertaining to environmental affairs and the issuance of well and facility licences.

Major Activities and Results:

- Developed a GIS (Geographical Information Systems) mapping system cataloging a complete inventory of environmental and safety-related information for upstream oil and gas operations including: development of critical sour gas area map; searchable database on environmental liability associated with oil and gas facilities and a comprehensive mapping system for oil spills and pipeline breaks.
- Chaired a joint industry-government committee formed to review and recommend changes to the existing program for addressing abandonment and reclamation liabilities. The Oil and Gas Conservation Act was amended in early 2001. The Oil and Gas Conservation Regulations still need to be amended.
- Continued to provide a computer software program to assist operators in calculating the appropriate loading rates for disposing of drilling fluids on cultivated lands to ensure the highest environmental protection standards are achieved on a consistent basis.
- Held extensive consultations with industry, government regulators and the general public in updating the existing environmental standards and guidelines including storage standards, waste management, air emission and pollution controls, and contaminated site remediation for the upstream petroleum industry.
- Completed new environmental guidelines in 2002-03 and distributed them to industry, government agencies and stakeholders.

These guidelines included:

- Guidelines for Pre-setting Surface Casing
- Guidelines for Storage of Naturally Occurring Radioactive Materials (NORM)
- Continued to enforce the requirements of Saskatchewan Petroleum Industry/Government Environmental Committee Guidelines, and provided technical assistance and expertise to industry and the general public upon request.
- Continued to actively participate with other regulatory agencies in the development of comprehensive land-use strategies for the Mistatim Marsh, Bjorkdale West Forest and Stove Creek areas.
- Provided rural municipalities with technical and consultative guidance pertaining to the sustainable and balanced development of the upstream petroleum industry within their municipal boundaries. Work progressed on identifying land unsuitable for petroleum and natural gas development within the Rural Municipality of Maple Creek No. 111.
- Continued to provide assistance to Saskatchewan Agriculture, Food and Rural Revitalization and Saskatchewan Environment in their efforts to harmonize approaches with respect to the leasing of Crown land for the purpose of oil and gas development.
- Participated as active members of provincial and interprovincial environmental and safety committees, including the Saskatchewan Petroleum Industry/Government Environmental Committee, the Canadian Petroleum Safety Council, the Drilling and Completion Committee and The Great Sand Hills Land Use Strategy Review Committee.
- Represented the department on the board of directors of the Western Interprovincial Scientific Studies Association. Provided in-house technical data to the association that is conducting a world-class flare emission impact study on animal health.
- Conducted 24,272 battery and rig site inspections, 1,159 spill inspections, monitored the cleanup of 922 oil and salt-water spills, and assisted in resolving 38 landowner complaints.
- Field staff inspected drilling rigs associated with the new oil and gas wells drilled in the province. Approved, monitored and reported work-over programs.
- Field staff conducted 2,283 inspections of water injection and disposal facilities to ensure

proper water handling and injection well bore integrity.

- Approved one new upstream waste processing facility. The new facility, in conjunction with the 10 existing facilities, provides state-of-the-art recovery, recycling, containment, treatment and disposal technologies for by-products and waste generated by the upstream petroleum industry throughout the province.

Saskatchewan continues to lead in development of waste recycling technologies that convert upstream oil and gas solid by-products into valuable commercial products such as cold-mix asphalt for paving roads. Saskatchewan has also taken a lead in developing safe storage and disposal methods for naturally occurring radioactive material associated with oil and gas production.

Saskatchewan continues to set new benchmarks by utilizing GIS technology to develop comprehensive environmental and safety-related databases used to track upstream oil and gas operations. This information assists both operators and regulators to make informed, environmentally responsible decisions.

Staff continue to assist Saskatchewan Agriculture, Food and Rural Revitalization and Saskatchewan Environment in developing and implementing comprehensive land-use strategies for Crown lands with a view to solving problems that arise in the process of developing petroleum and natural gas resources.

Inspections conducted by field staff ensure that industry has complied with regulations governing their operations, thereby minimizing environmental impacts. Department environmental guidelines are generally acknowledged as being practical and effective.

Seismic and Well Licences

Under the seismic and well licensing program, the department reviews applications and issues licences to explore, drill, operate and produce oil, gas and related service wells. Seismic contractors and blasters are licensed to ensure certain operating standards are met and to maintain a current record of companies conducting seismic work in the province. By licensing the drilling and operation of oil, gas and service wells, the

department ensures Crown mineral rights have been properly acquired, wells are properly located, and drilling and casing requirements have been met.

The number of well licence applications issued during the 2002-03 fiscal year averaged 356 per month. The increase in the number of licence applications received relative to the previous fiscal year reflected the increase in the price for oil and gas. Well licence applications received with proper documentation continue to be processed within three working days.

Major Activities and Results:

- Issued 4,282 well licences, eight seismic exploration licences, and 97 explosive permits. (The lower number of seismic exploration licences and explosive permits once again reflects the new five-year licence and permit.)
- Registered a total of 4,282 well transfers and 1,151 well name changes. Also registered 34 name changes as a result of corporate name changes and amalgamations.

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Corporate Resources Division

The Corporate Resources Division includes the communications, promotion and marketing, human resource, administrative and financial, and system services activities of the department. The division provides leadership on communications issues and supports government marketing efforts to encourage entrepreneurship and to attract businesses, industries and investment to Saskatchewan. The division co-ordinates departmental administrative and financial reporting activities, manages the department's human resource needs, and maintains the department's information systems and services.

During 2002-03, the division consisted of five branches: Public Affairs, Marketing, Financial and Administrative Services, Human Resources and Systems Services.

Public Affairs Branch

The Public Affairs Branch develops and implements strategic communications plans and activities around the policies and programs of both the department and, in a number of cases, the government at large. The branch works closely with the Marketing Branch on various business confidence and investment attraction initiatives.

Branch staff generate publicity around government economic initiatives; provide communications support to the Minister's Office through speeches, speaking points and briefing notes; arrange special events that profile entrepreneurial activity and government support of business; and handle media relations on department and government initiatives. The branch also provides public relations counsel and issues management advice, looks after the department's "House Business" function, prepares communications strategies in support of Cabinet Decision Items (CDIs) and other program/policy proposals, helps promote the provincial economic strategy and co-ordinates the production of several department publications.

During 2002-03, the branch:

- organized, coordinated and advised on more than 90 public events to profile economic success stories in the private and public sectors. Major events and announcements included the launch of the Our Future is Wide Open campaign and the unveiling of a new oil and gas royalty/tax package and a mineral exploration

incentive package. The branch also organized a number of events to profile the government's CommunityNet broadband network.

- wrote 107 news releases on department programs and initiatives and economic announcements.
- prepared numerous feature stories and materials in support of special supplements on the province and its key sectors.
- produced the 2001-02 annual reports of the former Departments of Energy and Mines and Economic and Co-operative Development.
- co-ordinated the writing and production of the Year 1 Progress Report on the Partnership for Prosperity economic strategy.
- prepared information packages for the Legislative Assembly in response to oral and written questions, as part of the department's House Business function.
- provided public relations and general communications support to the special weeks that the department is involved in (e.g., REDA Week, Small Business Week, Co-operatives Week, Mining Week, Opportunities Week), as well as to specific marketing initiatives such as the Our Future Is Wide Open campaign and Only in Saskatchewan youth contest.
- provided information and support for hundreds of media inquiries, undertaking media relations on economic initiatives and issues, and providing story leads to media on business success stories.
- produced four issues of Business Unlimited, a publication that is distributed as a quarterly insert in Saskatchewan Business magazine and mailed as a stand-alone magazine to 11,000 business, co-operative and community representatives.

The branch also played a major role in internal communications during the fiscal year as the department merger brought together two long-established departments with different corporate cultures. The branch produced an electronic employee newsletter, Transition News, to inform staff of developments around the merger and produced 14 issues during the fiscal year. The newsletter was posted on the new department Intranet, in which Public Affairs also had major involvement.

The branch was also active on the climate change file, working with other communicators across government around issues surrounding federal

ratification of the Kyoto Protocol. Branch staff also provided general communications support on ethanol policy, stemming out of the release in the previous year of The Greenprint for Ethanol Production.

For more information, contact:

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Marketing Branch

The Marketing Branch develops and implements marketing strategies to promote Saskatchewan as a good place to do business and invest. Marketing promotes doing business in Saskatchewan to key markets inside the province and internationally. Key activities include advertising, marketing programs such as contests and event sponsorships, Internet advertising and Web site development, as well as working with the Public Affairs Branch on international media relations.

Marketing supports the economic development goals of the department. For example, Marketing assists the Strategic Sector Development Branch in promoting the province's six key economic sectors through advertising and trade show participation outside of the province. As well, the branch assists Business and Co-operative Services in promoting REDAs and regional economic development within the province.

In 2002-03, the Marketing Branch was assigned the responsibility of leading the implementation of the Our Future is Wide Open campaign. Marketing developed strategies to address the two main goals of the three-year campaign:

- Inside the province: improve the perception that the province is a good place to live, work and do business and increase optimism in the province's future.
- Outside the province: increase awareness of Saskatchewan's economic strengths and advantages of doing business and investing in Saskatchewan.

Major activities and accomplishments in year one of the campaign (from November 4, 2002, to March 31, 2003) included the following:

In-province:

- The department launched the Our Future is Wide Open in-province campaign November 4, 2002. The campaign included television, radio and print ads celebrating Saskatchewan achievements in business, science and culture. Independent polling conducted in December 2002 showed that the initial five-week advertising campaign had achieved recall rates that were above industry average. Fifty-eight per cent of those surveyed remembered seeing the ads, and 47 per cent of young people (aged 18-24) said they learned something new about Saskatchewan.
- In conjunction with the campaign, the department launched the wideopenfuture.ca Web site to act as a portal for more information on business and living in Saskatchewan.

Out-of-province:

- The department launched the out-of-province campaign on January 27, 2003. Marketing produced print ads, focused on the province's six key economic sectors, which were placed in major Canadian newspapers including the Globe and Mail, National Post, Calgary Herald and Vancouver Sun.
- Marketing also produced signage in major Canadian airports promoting Saskatchewan's high quality of life and low costs.
- Television advertising ran on targeted business networks and in-flight television programs.
- In conjunction with the general business advertising, Marketing ran an advertising program in major international site location magazines.
- The Premier of Saskatchewan led promotional trips to Toronto, Ottawa, Calgary, and Edmonton. These trips, organized by Marketing, promoted the province as a good place to invest and do business to business groups in the province's six key sectors, as well as to chambers of commerce and Saskatchewan expatriates.

During 2002-03, the branch:

- redesigned the government's economic development Web site to better reflect the full scope of services provided by the newly merged

Department of Industry and Resources. Based on service provider surveys, Marketing refocused the site to make information easier to access and introduced a content management system to ensure information is updated regularly.

- launched a Saskatchewan Firsts competition to government employees, asking them to enter Saskatchewan achievements in various areas including science and technology for publication on the wideopenfuture.ca Web site.
- participated in Aboriginal print supplements, Spirit of Enterprise, published by Saskatchewan daily newspapers, promoting Aboriginal entrepreneurship.
- launched Opportunities Week in May 2002 to promote Saskatchewan entrepreneurs and business excellence. As part of the week's activities, Marketing partnered with the Apparel and Textile Association to host the SaskMade Products trade show. The trade show attracted 60 exhibitors and received strong, positive evaluations.
- worked with Strategic Sector Development Branch to co-ordinate the department's participation in three major national or international trade shows in six key sectors.
- provided marketing and communication services to Connectivity – the annual provincial REDA conference.
- conducted a provincial print advertising campaign to increase awareness of REDAs' contribution to local economies during REDA Week.
- conducted a provincial print advertising campaign in October 2002 during Co-op Week, to promote the importance of co-operatives to the provincial economy.
- ran a provincial print advertising campaign promoting small businesses during Small Business Week, also in October 2002.
- re-branding the LSVCC program as the Invest in Saskatchewan program and, in partnership with the two private-sector providers of LSVCC funds, launched a marketing program aimed at promoting the purchase of LSVCC funds. Statistics collected by the department show that LSVCC sales increased by 37 per cent in 2002-03 compared to the previous year. National research indicates that Saskatchewan was the only province in Western Canada to experience increased LSVCC investment activity this past year.

- continued to sponsor The Saskatchewan Dream, a project promoting Saskatchewan entrepreneurial success stories.

For more information, contact:

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Financial and Administrative Services Branch

Financial and Administrative Services provides general operating, financial and legislative services to the department and to the Information Technology Office and the Office of Northern Affairs. The key activities of the branch include:

- co-ordinating the preparation of the department's budget to ensure that priorities receive funding, and liaison and negotiation with Treasury Board.
- revenue and expenditure processing including appropriation control, contract administration and ensuring appropriate legislative authority for payments made.
- financial analysis and consolidation of the department's monthly expenditure forecast.
- providing general administrative and financial support to ensure successful implementation of the department initiatives.
- providing quality legislative services to the department in a timely manner.
- providing access to information in accordance with the appropriate Freedom of Information legislation.

Key Accomplishments in 2002-03:

- amalgamated the administrative and financial processes of the former Energy and Mines and Economic and Co-operative Development Administration Units.
- met, and often exceeded, established timelines for all measurable processes, which included supplier payment and revenue processing, quarterly reports, year-end schedules and reports, and inquiry response times.

- ensured compliance with government payment policies with overall error rates of 0.7 and 2.2 per cent, which was below the 4 per cent acceptable standard for both audits.
- actively participated in the testing and pre-implementation phase of MIDAS (Multi-Informational Database Applications System), the new government-wide system that will replace the existing financial, human resources and payroll systems.

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Human Resources Branch

Human Resources works collaboratively with managers and employees in providing proactive and effective human resource management strategies that support the strategic direction of the department.

In 2002-03, Human Resources:

- provided advice and support to managers and employees on human resource-related issues resulting from the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines;
- devoted a resource to organizational development initiatives relating to succession management, learning and development, recruitment and retention, employee recognition and performance management;
- drafted a departmental human resource plan to reflect requirements of the government's corporate human resource plan and departmental strategic direction;
- provided leadership in the development and operation of the department's Occupational Health and Safety, and Union-Management Committees;
- began the review of internal human resource processes to ensure timely and effective service delivery; and

- developed and arranged "Lunch and Learn" sessions for departmental staff. Topics included managing change and stress management.

For more information, contact:

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System Services Branch

The goals of the System Services Branch are to:

- lead the department in the development of a well-managed corporate information technology/information management environment that will strengthen the department's ability to efficiently deliver information and services; and
- direct the planning, development, implementation and support of the information technology systems and computer services for the department.

The department operates a significant number of business applications on a regular production basis, running on a variety of platforms. Changes are made to existing systems or new systems are developed to support legislative changes or to improve operational efficiency. System analysis, development and maintenance functions are performed by department staff. The client/server environment and network services are also supported by department staff. Mainframe services are contracted to ISM Canada.

In 2002-03, the branch:

- integrated the information technology functions of the former Departments of Energy and Mines and Economic and Co-operative Development, including a consolidated e-mail system.
- upgraded the Novell environment to Netware 6.
- continued to upgrade desktop hardware.
- completed implementation of CommunityNet.
- supported the development and implementation of the Community Profiles GIS project.

-
- completed the changes necessary for the implementation of MIDAS, the Department of Finance's new revenue and expenditure system.
 - started the development work to support the new oil and gas royalty and tax regime.
 - completed development of the Mineral Ownership Information System, to be implemented for the 2003 billing cycle.
 - made significant progress in the development of a Penalty Billing System for late filing of returns to be implemented in 2003.
 - completed the business analysis for the re-development of the applications supporting the Small Business Loans Association program.
 - represented the department on several government-wide committees, in particular the Information Technology Architecture project managed by the Information Technology Office.

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Financial Report (Budgetary Expenditure)

Appropriation and Expenditure by Subvote and Subprogram

PROGRAM	Original Estimate 2002-03 (\$000's)	Actual 2002-03 (\$000's)	Variance 2002-03 (\$000's)	Notes
Administration	2,459	2,875	416	
IR01 Total	2,459	2,875	416	1
Accommodation and Central Services	3,939	3,759	(180)	
IR02 Total	3,939	3,759	(180)	
Industry Development				
Regional Development	1,708	2,140	432	2
Special Projects and Investment Services	1,487	1,274	(213)	3
Forestry Development	234	262	28	
Business Development	1,742	2,142	400	4
Marketing and Corporate Affairs	1,518	4,149	2,631	5
IR03 Total	6,689	9,966	3,277	
Mineral Revenues	3,488	4,060	572	6
IR04 Total	3,488	4,060	572	
Mining, Petroleum and Natural Gas	9,261	9,533	272	7
IR05 Total	9,261	9,533	272	
Policy and Economics	3,379	3,367	(12)	
IR06 Total	3,379	3,367	(12)	
Investment Programs *				
Economic Partnership Agreements	5,306	4,939	(367)	8
Innovation and Science Fund	8,500	8,633	133	
Regional Economic Development				
Authorities and Organizations	2,800	2,564	(236)	9
Petroleum Research Initiative	1,000	500	(500)	10
Small Business Loans Associations	1,070	770	(300)	11
Strategic Investment Fund	2,942	2,954	12	
Technology Commercialization	2,950	1,901	(1,049)	12
Mineral Exploration Incentives	-	705	705	13
IR07 Total	24,568	22,966	(1,602)	
Co-operatives	750	697	(53)	
IR08 Total	750	697	(53)	
Tourism Saskatchewan *	6,915	6,915	0	
IR09 Total	6,915	6,915	0	
Saskatchewan Trade and Export Partnership Inc. *	2,091	2,091	0	
IR10 Total	2,091	2,091	0	
Saskatchewan Opportunities Corporation *				
Investment Division	689	689	0	
Research Parks Division	4,237	4,237	0	
Investment Loan Loss Contribution	1,000	3,672	2,672	14
IR11 Total	5,926	8,598	2,672	
SUB-TOTAL	69,465	74,826	5,361	
Special Warrant **	5,872			
TOTAL	75,337	74,826	(511)	

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- ** The Department received Special Warrant Funding, in 2002-03, as follows:
Marketing and Corporate Affairs: \$1.7M for Promoting Saskatchewan Campaigns.
Mineral Exploration Incentives: \$1.5M to further stimulate Saskatchewan's Mineral Sector.
SOCO Investment Loan Loss: \$2.672M in respect to SOCO's wind-down.
1. Over-expenditure reflects the consolidation of the program-related information technology activities with the central systems.
 2. Mid-year reorganization resulted in an overexpenditure.
 3. Mid-year reorganization resulted in an underexpenditure.
 4. Reallocation of resources required to support the attraction of business to the province.
 5. The Promoting Saskatchewan campaign accelerated with the achievement of additional project milestones.
 6. Recognition of the compensation obligation related to oil production from Crown lands.
 7. Additional funds used towards the joint Federal/Provincial airborne geophysics project.
 8. Program proponent's project funding requirements less than the annualized portion of the 5 year commitment.
 9. Funding requirements limited to fund other department initiatives.
 10. Funding requirements limited to fund other department initiatives.
 11. Increased Collectability of Small Business Loans resulted in a lower provision.
 12. Funds from the Technology Commercialization program reallocated as this program winds down.
 13. Mid-Year decision to fund this new initiative was funded by Special Warrant funding.
 14. Additional loan loss allowances were required as the Investment Division of the Saskatchewan Opportunities Corporation was wound down.

Description of Third Party Funding:

IRO7 Investment Programs*	
Economic Partnership Agreements	Federal Provincial agreement to help build the province's capacity for economic growth through innovation.
Innovation and Science Fund	Promotes research and development partnerships among post-secondary institutions, governments and the private sector.
Regional Economic Development Authorities and Organizations	Supports community-driven, grassroots organizations to develop and implement effective economic development activities.
Petroleum Research Initiative	Provides program core funding to the Petroleum Technology Research Centre, to undertake research relevant to the petroleum sector in Saskatchewan.
Small Business Loans Associations	Makes funds available, through community-run organizations to encourage diversification of the province's economy and supports community economic development.
Strategic Investment Fund	Provides support to the research capacity in the province and the development of innovative products and processes.
Technology Commercialization	Funding to promote the commercialization of technology through research and development initiatives.
Mineral Exploration Incentives	Funding to stimulate Saskatchewan's mineral sector through enhanced geoscience funding, marketing, administrative personnel, and prospector and exploration grants.
IRO8 Tourism Saskatchewan *	
	Funding to deliver marketing, advertising, travel counselling, industry education and promotional packaging to support the tourism industry.
IRO9 Saskatchewan Trade and Export Partnership Inc. *	
	Supports the international and domestic marketing activities of its members and clients for the benefit of Saskatchewan.
IR10 Saskatchewan Opportunities Corporation *	
	Support is provided to deliver a range of financial services targeted at value-added, export oriented and import replacement industries.

Our Plan for 2003-04 and Beyond

Overview of Performance Plan for 2003-04

The purpose of the Annual Report has traditionally been to report on departmental activities and accomplishments for the previous year. To improve government reporting and accountability, the Government of Saskatchewan has made a decision to release forward-looking performance plans within the annual reports. This provides a description of the challenges and opportunities facing departments in the coming year and the plans departments have made to move toward their vision and goals.

This is the first time the Department of Industry and Resources will release a public performance plan. The plan described on the following pages is very much a work in progress, in that it reflects a department that was re-organized through the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines in the spring of 2002. This plan will evolve as a new strategic plan is developed that will further integrate and provide direction for the new department. While the objectives and measures may change in the next version of the plan, the activities intended to be performed in 2003-04 are outlined on the following pages.

2003-04 Plan at a Glance

The following is a summary of the 2003-04 strategic plan for the recently created Department of Industry and Resources. The goals and objectives outline the outcomes the department is working toward as a result of the amalgamation of the former Departments of Economic and Co-operative Development and Energy and Mines. It does not set out a dramatic change in direction, rather a continuation of the majority of activities that had been undertaken in the departments' former structures.

Our Vision

An innovative, prosperous and sustainable economy supported by full participation and responsible energy and mineral development.

Goal 1 - A positive environment for business

Objective 1: Increase the adoption of new technologies and best practices

Performance Measures

- Research and development and commercialization funding leveraged from non-provincial government sources through the Innovation and Science Fund and WEPA

Objective 2: Facilitate business and co-operative growth

Performance Measures

- Performance measures are under development to track business growth and retention

Objective 3: Increase employment in priority sectors

Performance Measures

- Create 10,000 jobs in the forestry sector between 1999 and 2004 and create 40,000 person years of new employment in the oil and gas sector between 2002 and 2012

Objective 4: Improve the perception of Saskatchewan as a place of opportunity

Performance Measures

- The percentage of Saskatchewan residents who see Saskatchewan as a great place in which to live, work and do business

Goal 2: Optimal development of energy and mineral resources

Objective 1: Optimized energy and mineral exploration

Performance Measures

- Saskatchewan's share of Canadian non-uranium mineral exploration expenditures

Saskatchewan's share of Canadian oil, gas, and mineral production relative to other provinces
Objective 2: Increased oil and gas recovery rates
Performance Measures Percentage of oil produced from enhanced oil recovery projects
Objective 3: Optimized benefits from resource development
Performance Measures Percentage of the oil and gas industry's annual revenues paid to the Crown as royalty

Goal 3: Responsible use and delivery of energy in Saskatchewan

Objective 1: Access to reliable and competitively priced energy
Performance Measures Number of electricity market participants in Saskatchewan
Objective 2: Balanced response to climate change
Performance Measures Ratio of energy use to gross domestic product in Saskatchewan
Objective 3: Environmental protection and public safety
Performance Measures Number of oil and gas spills reported per 1,000 wells
Guiding Principles - Client service excellence - Consultation, integrity, prudent management - Professional, knowledgeable, committed - Partnerships as a way of doing business - Continuous staff development

2003-04 Budget Overview

Sub-Vote	2003-04 Budget (\$000s)
Administration	\$ 3,683
Accommodation and Central Services	3,745
Mineral Revenues	2,211
Petroleum and Natural Gas	5,230
Exploration and Geological Services	4,730
Resource and Economic Policy	2,502
Industry Development	9,227
Co-operatives	750
Total Operational Funding	\$ 32,078
Investment Programs	\$ 28,645
Tourism Saskatchewan	7,165
Saskatchewan Trade and Export Partnership Inc.	2,441
Saskatchewan Opportunities Corporation	7,212
Total Third Party Grant Funding	\$ 45,463
TOTAL	\$ 77,541

Trends and Issues

The department closely monitors a number of provincial economic trends.

Gross Domestic Product (GDP):

After a strong period of growth, in which Saskatchewan had positive GDP growth in seven of eight years between 1993 and 2000, GDP fell in 2001 and 2002. Between 1992 and 2001, Saskatchewan's real GDP grew at an average rate of 2.7 per cent annually, and productivity (real GDP per employed person) posted the strongest increase of all the provinces, an average of 2.1 per cent a year. In 2001, GDP fell by 1.3 per cent and fell again in 2002 by 1.4 per cent (according to Statistics Canada's preliminary estimate). The majority of the decrease in real GDP can be attributed to weak export markets and to the severe drought conditions throughout the province that reduced agricultural output in all major crops.

GDP is forecast to increase significantly over the next several years. The Conference Board of Canada is forecasting that Saskatchewan's growth rate will be second highest across Canada in 2004 at 4.5 per cent. The Department of Finance is forecasting that GDP will grow at an annual average rate of 4.2 per cent over the next three years due to increased crop production, increased oil and gas and mining activities and increased exports.

Employment:

In 2000, Saskatchewan had a record employment level of 485,000. In 2001, employment fell by 12,600 jobs (75 per cent of these were in the primary agriculture sector). In 2002, employment levels recovered from the losses of 2001. Total employment in Saskatchewan was up, on average, by 9,700 (or 2.0 per cent) in 2002, compared to 2001. The Department of Finance is forecasting that employment will increase by approximately 16,000 jobs between 2003 and 2005.

Population:

Saskatchewan's population as of July 1, 2002, was an estimated 1,011,800, down by 5,300 (0.5 per cent) from July 1, 2001. Historically, Saskatchewan's population has tended to fluctuate slightly, and the current trend is nothing new. Weakness in the agriculture sector is considered to be one of the main factors behind the somewhat

higher levels of net interprovincial out-migration in the last three years. Strong economic and employment growth is expected to lead to a turnaround in the population and migration numbers in the near term.

Other economic indicators:

Notwithstanding the drought in 2002, oil and gas well drilling, manufacturing shipments, building permits and potash sales were all up in 2002 over 2001. Retail sales were up by 7.2 per cent, urban housing starts jumped by over 30 per cent and investment in residential construction was up 14 per cent. Unemployment levels were the third lowest in Canada, and social assistance caseloads continued to decline. Corporate profits recovered about half the level lost in 2001, with a robust 9.9 per cent increase in 2002.

Trade:

Over 60 per cent of Saskatchewan's production of goods and services is exported to other Canadian and international markets. A national or international economic slowdown, such as that experienced in 2001 and 2002, has the potential to impact the Saskatchewan economy. Total Canadian exports fell by almost seven per cent in 2001 and by another three per cent in 2002; a stark contrast to the growth of almost 29 per cent in total exports between 1999 and 2000. World commodity prices for our primary agriculture products, oil and gas, and mineral products, as well as exchange rates and trade policies also have a significant impact on our exports and our economy.

Partnership for Prosperity:

A number of the provincial economic trends noted above were included as targets in the Partnership for Prosperity strategy. Within the first year of implementation, the majority of the targets were on track to be met or surpassed by 2005. This is a significant achievement given the events of September 11, 2001, drought conditions and other recent shifts in the global economy challenging the forecast assumptions. Targets that are not yet achieved can help to focus government's efforts on areas that may require attention.

The following are some of the key issues and challenges that the department is closely monitoring as they may impact the future growth and competitive advantage of the province's key sectors.

Crude Oil and Natural Gas:

The activities of Saskatchewan's oil and gas industry are influenced by a number of external and internal factors such as world prices for the commodities, exchange rates, interest rates, access to capital, geological potential and fiscal and regulatory policies of the province and other governments. Key issues within this sector are the competitiveness of Saskatchewan's regulatory and investment climate and ensuring that oil and gas developments are conducted in an environmentally responsible manner. Continued research, development and the application of new technologies are also required to ensure Saskatchewan producers have the scientific and technological tools to competitively recover incremental oil and gas at reduced costs.

Mining:

Saskatchewan is the largest producer of uranium and potash in the world, producing about one-third of the world's supply. However, expenditures on mineral exploration, for minerals other than uranium, have been declining as a percentage of Canadian exploration despite excellent mineral potential in the province. Ongoing exploration is crucial to ensure that new deposits are discovered in order to allow the non-renewable resource industry to continue to operate and expand. Providing information on the province's mineral potential and exploration incentives and ensuring a competitive tax system and access to land are essential activities in attracting investment in mineral exploration. The key challenge posed for Saskatchewan's coal sector will be to accommodate any changes in demand created by efforts to mitigate climate change.

Forestry:

The forestry sector experienced above average growth between 1998 and 2002. Saskatchewan is seen as a choice location for forestry development due to its low wood costs, reasonable regulatory environment and available wood supply. Road infrastructure, electricity costs and the training of northerners will be determinants of future growth in forestry. In addition, the United States' decision to impose countervailing and antidumping duties on Canadian lumber poses a threat to Saskatchewan sawmills as most of their product is sold in the U.S. The decision resulted in increased costs to Saskatchewan producers in 2002 and required some mills to take down time or close.

Agriculture:

Two consecutive drought years have impacted the agriculture sector. Crop production in 2002 was down 28.7 per cent from the 2001 harvest, or 57 per cent below the 10-year average, and farm income was below average in 2002 as a result of the 2001 drought. The number of farms has seen a steady decline while the size of the average farm continues to increase. Increased productivity in the agriculture sector has made it possible to produce more with less labour, thus the steady decline in agricultural employment. Conditions are forecast to improve dramatically in the agriculture sector: crop production is expected to return to normal in 2003 due to good moisture conditions and strong prices.

Manufacturing:

Since 1992, Saskatchewan has experienced the greatest growth of its manufacturing sector in more than four decades. While this growth has been substantive, the effect of Alberta and Ontario building on the larger manufacturing base and a larger critical mass, maintaining strong performance, compounded year after year is resulting in significant overall growth of their industries and leaving Saskatchewan and other provinces behind. While the future growth of this growing sector is dependent on the province's ability to retain and expand its existing corporate base, Saskatchewan cannot rely upon internal growth rates alone to keep pace with the growth rates experienced in competing jurisdictions. The key to Saskatchewan to becoming a prominent player in Canada's manufacturing arena lies in the province's ability to increasingly attract new investment to the province and find export markets for our products.

Electricity:

The North American electrical industry is undergoing major changes, and the market for electric power is becoming increasingly competitive and integrated. These changes will have economic and social implications for Saskatchewan and, depending on how the province responds, will have an impact on the competitiveness and reliability of electricity supply to Saskatchewan consumers.

The Green Agenda and the Kyoto Protocol:

The federal government has committed to reduce Canada's emissions of greenhouse gases through the ratification of the Kyoto Protocol.

Saskatchewan, together with all other provinces and territories, agreed upon 12 principles for a national plan to manage climate change that would ensure that any climate change mitigation would not have an undue negative impact on provincial economies. The federal government has unilaterally introduced a federal climate change plan that does not provide for a significant role for provinces.

A component of the Green Agenda is Saskatchewan's participation in ethanol development. Saskatchewan was the first to introduce mandatory blending requirements and this industry has significant potential to grow. Ethanol will present an opportunity to reduce greenhouse gas emissions and opportunities for community economic development.

Investment Attraction:

Increased investment is necessary in order to maintain and grow a healthy and viable economy in the province. In 2002, capital investment in Saskatchewan was estimated at \$6.97 billion, the sixth consecutive year in which new capital spending exceeded the \$6-billion mark. It is estimated that 79 per cent of that investment came from the private sector. Investment in the manufacturing sector increased by 52 per cent over 2001 levels to \$625.5 million in 2002.

However, in today's global environment, particularly in North America, jurisdictional competition for manufacturing and processing operations is increasing. Businesses are becoming more demanding, seeking comprehensive jurisdictional information, rapid turnaround, speedy regulatory response, assistance with training and increasingly expecting some form of incentives. Investment decisions are increasingly becoming more sensitive to the availability of a skilled workforce, excellent infrastructure and a favourable manufacturing and processing business climate. Continued examination of the tax and royalty systems and the regulatory environment is required to ensure the barriers to investment and growth are eliminated. In addition, the department is leading a marketing campaign for the province, which is intended to

improve the perception of the province and increase activity and investment.

Industrial Competitiveness:

In today's global economy, mergers and acquisitions are commonplace with inefficient, outdated production facilities being closed and replaced with more efficient, state-of-the-art facilities. The United States is our largest trading partner. The current trend of a rising Canadian dollar vis-à-vis the U.S. dollar will infringe on the margins of goods exported to the U.S. and place greater pressure on improving the productivity of our local production facilities in order to simply compete. The adoption of new technologies and best practices is an essential part to increasing the productivity of our industries.

Where We Are Headed, What We Intend to Do and How We Will Measure Progress

This section contains the detailed information on the department's 2003-04 Performance Plan. Under each goal, a number of objectives have been developed that will help to achieve the goal and for each objective, key actions have been identified that the department will undertake in 2003-04. A number of performance measures have been identified that will help the department gauge what progress is being made toward the objectives. Some of the measures are still considered to be under development as the department is in the

process of developing a new strategic plan for 2004-05 and beyond, which will include a new set of performance measures.

Many of the actions identified below support and complement the government's Plan for 2003-04: Building the Future, the Partnership for Prosperity Strategy, the Our Future is Wide Open campaign and the Métis and Off-Reserve First Nations Strategy.

Goal 1 - A positive environment for business

Objective 1 - Increase the adoption of new technologies and best practices

The adoption of new technologies and best practices is vital to long-term competitiveness and sustainability of Saskatchewan's industries. The province can play a key role in encouraging the development and application of new technologies and the adoption of best practices, by making strategic investments in research, building infrastructure to support the development of new technologies and best practices, and by investing in technology and knowledge transfer initiatives.

Through investments in structures such as the Canadian Light Source (CLS) synchrotron and the Petroleum Technology Research Centre (PTRC), the province will attract researchers and new investment to develop innovative approaches and processes to advance the province's key sectors, and will help to promote a positive environment for business.

Through investments in partnerships and consortiums of manufacturing excellence, the province will encourage the dissemination of information on world-class manufacturing best practices and allow industry to tap into international expertise to guide and enhance their processes. This will help differentiate Saskatchewan from other jurisdictions and position the province as leader.

Key Actions for 2003-04

- Build awareness of the CLS synchrotron and its capabilities through business development funding for the CLS and operating funding for the Saskatchewan Synchrotron Institute. The CLS will begin operation in January 2004.
- Support the Saskatchewan Forest Centre through capital funding for construction of the building and funding for applied research.
- Allocate approximately \$8 million to Saskatchewan universities through the Innovation and Science Fund to match projects approved through federal research programs such as the Canada Foundation for Innovation.
- Invest \$1.0 million in research capacity at the PTRC and develop capabilities for technology transfer and for marketing projects to the oil industry through the PTRC and the Saskatchewan Petroleum Research Initiative (SPRI).
- Provide funding to the Saskatchewan Market Assessment and Research Technology (SMART) program, helping registered small businesses (that are eligible for NRC/IRAP funding) use competitive intelligence for commercializing new and innovative technologies.
- Facilitate the development and growth of manufacturing consortiums in the province, providing a mechanism for transferring world-class manufacturing knowledge and best manufacturing practices to the consortium participants and into Saskatchewan companies.

	• In co-operation with the Saskatchewan Research Council, establish the Saskatchewan Intelligent Systems Technologies program, a four-year, \$4-million program dedicated to matching Precarn Incorporated's contributions for the development and application of intelligent system technologies in Saskatchewan.
<u>What are we measuring?</u> Research and development and commercialization funding provided (plus funding leveraged from non-provincial government sources) through the Innovation and Science Fund, the Strategic Investment Fund, the Technology Commercialization Fund and Western Economic Partnership Agreement. The achievement of this measure is influenced by resource decisions at the provincial and federal levels.	<u>Where are we starting from?</u> \$35.783 million [2002-03]

Objective 2 – Facilitate business and co-operative growth The department can help to stimulate business growth by providing support, information, path-finding and referral services, by working in partnership with the public and private sectors to deliver a comprehensive and accessible small business support system, and by supporting the regional economic development authorities in their economic development initiatives.	Key Actions for 2003-04 • Provide information, assessment and pathfinding services to support and encourage business and co-operative development, retention and expansion. • Promote the Invest in Saskatchewan labour-sponsored venture capital program as a means to attract and encourage investment and to provide capital to small- and medium-sized businesses. • Through www.Saskbiz.ca, provide economic and social data on communities to support investment attraction, site selection, economic planning, and business development and retention. In 2003-04, the project will be expanded provincewide from the pilot area in the southeast. Solicitations for involvement have been sent to more than 800 municipal governments in Saskatchewan. • In partnership, develop "one stop" regional enterprise centres to co-ordinate services to assist entrepreneurship and small business development in communities or regions to help their economies grow and create jobs.
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	• Continue to support the Canada-Saskatchewan Business Service Centre (CSBSC) federal/provincial partnership agreement to support Saskatchewan business development. • Provide organizational and professional services, resources and training tools to REDAs to increase their economic development capacity and support their economic development efforts. • Improve Saskatchewan's competitiveness in key sectors of the economy by benchmarking taxation, infrastructure development support and incentives designed to facilitate growth of existing companies and attract inward investment, against competing jurisdictions. • Continue to promote and deliver the Small Business Loans Association (SBLA) Program to encourage the diversification of the province's economy and to support community economic development by providing funding to non-traditional entrepreneurs.
<u>What are we measuring?</u> Under development	<u>Where are we starting from?</u> Under development

Objective 3 – Increase employment in priority sectors Employment in Saskatchewan's priority sectors is driven largely by the demand for the goods and services exported from the province. While there is a wide variety of variables that affect the consumer decision to purchase Saskatchewan-made products and services, the province can play a key role in providing the right climate for growth, providing the necessary supporting infrastructure for businesses to flourish and compete internationally, and promoting the jurisdiction as a place to invest.	Key Actions for 2003-04 • Support and encourage international trade through investment in the Saskatchewan Trade and Export Partnership. • Promote Saskatchewan as a destination of choice through investment in Tourism Saskatchewan. • Develop initiatives and projects to increase investment and employment in the priority sectors. • Continue to lead forest product development through pathfinding, business plan development and feasibility analysis. • Ensure that all new forest allocations are conditional on allowing Aboriginal equity participation in the project. • Provide assistance to the Métis Nation of Saskatchewan (MNS) in the development of its strategic plan and fund employment of a Métis economic development officer.
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What are we measuring?

Creation of new jobs in the forestry sector, person years of new employment in the oil and gas sector.

Additional performance measures are under development to track employment, investment and growth in priority sectors.

Where are we starting from?

Under development

Objective 4 - Improve the perception of Saskatchewan as a place of opportunity

While government is not solely responsible for the province's image and how people (both within the province and outside) perceive the opportunities here, government has a significant role to play in communicating the province's strengths and building optimism and pride in the province's capabilities.

A positive image does have an economic consequence in that optimism is likely to generate additional in-province investment and business expansion.

Key Actions for 2003-04

- Promote Saskatchewan through out-of-province print, business-oriented television (e.g. Canada NewsWorld) and direct mail campaigns.
- Continue implementation in province of the Our Future is Wide Open campaign, using contesting, print, radio and television advertising and collateral marketing materials.
- Continue implementation of an expatriates strategy through distribution of a newsletter and materials.
- Continue the promotion of the Saskatchewan Business Ambassadors Program by equipping volunteer ambassadors with promotional materials to inform their business contacts about the strong and growing economy and the plentiful business opportunities Saskatchewan has to offer.
- Form a partnership with the Saskatchewan Mining Association to promote the mineral industry through television and print advertising and Saskatchewan Mining Week and to promote Saskatchewan as a place for expansion through expanded participation in trade shows and increased advertising.
- Host the Explore our Energy conference, which will provide the opportunity to explore energy possibilities in Saskatchewan, including new oil and gas technology and research.
- Implement a new Saskatchewan brand icon for marketing by using it on provincial marketing materials and promoting its use among other organizations.

	Team Saskatchewan, a team of business and community leaders, will travel with the Premier to a number of trade shows: BIO 2003 in Washington, DC (June); the Aerospace Congress in Montreal (September); the World Forestry Congress in Quebec City (September); and the Canadian Manufacturers and Exporters Conference in Toronto (October). In addition to establishing a major Saskatchewan presence at each show, the trips will also include meetings with potential investors and tourism promotion activities.
<u>What are we measuring?</u> The percentage of Saskatchewan residents who see Saskatchewan as a great place in which to live, work and do business The Partnership for Prosperity strategy set a target for an increase in the number of people who see the province as a great place to live, work and do business. Industry and Resources will continue to track this measure through omnibus polling. However, a number of external factors beyond the department's control will have an influence on perception, including climate, commodity and resource prices, international issues, and policy decisions within and outside the province.	<u>Where are we starting from?</u> 83 per cent of respondents either strongly agree or somewhat agree that Saskatchewan is a great place to live, work and do business. [September 2002]

Goal 2: Optimal development of energy and mineral resources

Objective 1 - Optimized energy and mineral exploration Increasing the amount of exploration will lead to optimal development of the province's resources. However, some of the factors that affect exploration activity (commodity prices, interest rates and exchange rates) are beyond the department's influence. The department can influence exploration by providing geoscientific information on energy and mineral resources and by providing a competitive investment climate.	Key Actions for 2003-04 - Implement year two of the Saskatchewan Mineral Exploration Incentive Program, which includes: - A 10-year royalty holiday for new precious and base metal mines - Development of a competitive royalty and tax regime for diamond mining - Implementation of an enhanced geoscience program to improve information and reduce industry's risk (includes development of regional airborne geophysical surveys). - Continuation of the prospector incentive program and incentives to encourage exploration companies.
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- Implementation of modifications to the mineral exploration tax credit.
- Continue to develop a business case for an imaging system for well information and assessment files.
- Undertake a review of regulatory issues identified by industry that may be imposing an unintended burden and constraining development.
- Research possible tax incentives for the uranium and potash sectors and implement tax incentives for the coal sector.
- Support Saskatchewan's potash and petroleum industries through geoscience research funding for projects at the universities and grant funding to encourage future geoscientists.

What are we measuring?

Saskatchewan's share of Canadian non-uranium mineral exploration expenditures.

Uranium exploration is not included in the measure as most of Canada's uranium exploration occurs in Saskatchewan and including it masks Saskatchewan's position relative to the rest of Canada. Saskatchewan's historical average share of mineral exploration is between two and three per cent. The department is considering changing how this measure is calculated due to the availability of new statistics collected from Natural Resources Canada (NRCan).

Where are we starting from?

3.64 per cent [2000 most recent data available]

What are we measuring?

Saskatchewan's share of Canadian oil, gas and mineral production relative to other provinces.

Oil, gas and mining activity in Saskatchewan relative to the rest of the country is based on the value of production. Using the province's share as the measure, rather than an absolute amount, reduces the influence of fluctuating commodity prices and provides a comparative measure of activity in the province. This data comes from the Canadian Mineral Yearbook developed by NRCan.

Where are we starting from?

9.5 per cent [2001 most recent data available]

Objective 2 - Increased oil and gas recovery rates The department can influence the amount of oil and gas recovered primarily by reviewing the royalty and tax structures to ensure they are competitive and by providing information and new technologies. Other factors, such as prices and specific geological conditions within a reservoir, are beyond the control of the department.	Key Actions for 2003-04 • Review the Enhanced Oil Recovery (EOR) royalty/tax structure. • Host (in 2003-04) and co-sponsor with North Dakota (in 2004-05) the annual Williston Basin Horizontal Well and Petroleum Conference. • Promote and broaden industry participation in the Saskatchewan Petroleum Research Incentive Program and the Petroleum Technology Research Centre.
<u>What are we measuring?</u> Percentage of oil produced from enhanced oil recovery projects The measure reflects the use of technologies to extract more oil from existing oil reservoirs. The department can influence EOR activity to some extent through its EOR royalty/tax system and can influence R&D efforts through the operation of the PTRC and research incentive programs.	<u>Where are we starting from?</u> 7.5 per cent [2001]
Objective 3 - Optimized benefits from resource development The department administers Crown mineral rights that industry acquires in order to explore and develop provincial resources. Through this function, the department can ensure optimal development of resources while protecting the province's interests.	Key Actions for 2003-04 • Encourage companies to make broader use of electronic data submissions and payment processes. • Develop a comprehensive audit plan for effective deployment of enhanced mineral audit capability in risk sectors.
<u>What are we measuring?</u> Percentage of the oil and gas industry's annual revenues paid to the Crown as royalty. Saskatchewan's royalty/tax systems are intended to capture a fair share of the revenue from resource development, while encouraging continued investment in and development of resources by ensuring a fair return to producers who extract Crown resources. For the oil and gas industry, an indicator of this balance is the portion of the industry's annual net operating revenue that is paid to the Crown.	<u>Where are we starting from?</u> 25.9 per cent [2001]

Goal 3: Responsible use and delivery of energy in Saskatchewan

Objective 1 - Access to reliable and competitively priced energy

The department does not directly provide natural gas or electrical power or construct or operate transmission and distribution systems to distribute energy in Saskatchewan. Rather, its role is to analyse and make recommendations on Saskatchewan's energy policy, including electricity market developments and pipeline regulation.

Key Actions for 2003-04

- Pursue increased participation by wholesale energy suppliers in Saskatchewan's wholesale electricity market.
- Participate in SaskPower's Open Access Transmission Tariff Customer Dialogue group.
- Work with SaskEnergy, SaskPower and Saskatchewan Environment on environmental and energy policy issues.

What are we measuring?

Number of independent electricity market participants in Saskatchewan.

The number of independent market participants (and the relative market share of the suppliers to the wholesale market) in the province is an indirect measure of the competitiveness of electricity policy in Saskatchewan. In 2001, an Open Access Transmission Tariff (OATT) was introduced in Saskatchewan, which will enable greater competition in the province's wholesale electricity market by providing access to SaskPower's transmission grid.

Where are we starting from?

One participant [2001-02]

Objective 2 - Balanced response to climate change

The department has a role to play in ensuring the government has a balanced response to climate change issues, which includes working with public- and private-sector players to develop an action plan, analyse the implications and costs, and supporting initiatives that are creating solutions to the climate change problem.

Key Actions for 2003-04

- Continue to develop and implement a provincial climate change plan.
- Participate in discussions with the federal government to obtain information on the implementation of its climate change plan and negotiate bilateral cost-sharing agreement with the federal government.
- Continue support to the Office of Energy Conservation by participating on the steering committee and assisting in the implementation of energy conservation initiatives.
- Continue support for the Prairie Adaptation Research Collaborative (PARC), the International Energy Agency (IEA) Weyburn CO₂ monitoring project, the International Test Centre and Canadian Clean Power Coalition (CCPC).

	Regulate Saskatchewan's fuel distributors with respect to ethanol-blended fuels including the administration of the grants provided to distributors.
<u>What are we measuring?</u> Ratio of energy use to gross domestic product in Saskatchewan. One of the primary goals of climate change policy is to reduce greenhouse gas emissions, and emissions correlate strongly to energy use. The ratio of energy use to GDP (measured in terms of megajoules [MJ] per dollar of GDP) is a measure of the balance between energy use and economic activity. A decreasing ratio over time provides an indicator of the success of efforts to reduce greenhouse gas emissions while maintaining economic stability and growth.	<u>Where are we starting from?</u> 18.1 megajoules per dollar of GDP [2000]

Objective 3 - Environmental protection and public safety The department has a role in licensing, inspecting and setting guidelines for the drilling and operation of oil and gas wells, and regulating seismic activity. This regulatory activity puts the department in daily contact with the industry in providing timely and effective services, and in addressing problems that might arise between the industry and landowners and local governments. The department shares this responsibility with Saskatchewan Environment and Saskatchewan Labour (Occupational Health and Safety unit).	Key Actions for 2003-04 - Finalize regulations for the orphan well and facility program, including the requirements to license oil and gas facilities. - Develop detailed environmental operating manual for the oil and gas industry.
<u>What are we measuring?</u> Number of oil and gas spills reported per 1,000 wells. The number of oil and gas spills per 1,000 wells is an indicator of industry compliance with operating and environmental regulations. The department inspects and monitors the operation of oil and gas wells and prepares monthly reports. As wells and facilities age and water production increases, there is greater chance for equipment failures and spills to occur. The tendency would be for the number of spills to trend upward; a status quo result would indicate that the department's efforts are having an impact.	<u>Where are we starting from?</u> 20 spills per 1,000 wells [2001]

Where to Obtain Additional Information

This report provides information about our accomplishments and our future plans. If you have any questions or comments, or would like additional copies of the plan, we invite you to call (306) 787-8277.

Or contact:

Corporate Resources Division
Saskatchewan Industry and Resources
2103 – 11th Avenue
Regina, SK S4P 3V7

Or send us an e-mail through our Web site:
www.ir.gov.sk.ca

Additional Resources/Web sites:

www.wideopenfuture.ca

Visit our Web site to find out about:

2003-04 Provincial Budget "Building for the Future –
Our Plan for 2003-04, A Prosperous and
Competitive Economy"

Partnership for Prosperity

Appendices

Legislative Responsibilities

The Minister of Industry and Resources is responsible for the legislation listed hereunder.

The Co-operative Guarantee Act was established to enable the government to assist co-operatives that do not qualify for conventional loans by providing a government guarantee of loans made through an approved lender. This program is inactive and there are no outstanding loans.

The Crown Minerals Act allows for the leasing of Crown mineral rights and provides the authority to collect royalties on Crown dispositions.

The Department of Energy and Mines Act provides for the exploration for, development, management and conservation of non-renewable resources and the development, management and conservation of energy.

The Economic and Co-operative Development Act encourages the development, diversification and renewal of the Saskatchewan economy. The act also provides the mechanism for the minister to co-ordinate and implement a uniform integrated approach to information technology and information management for executive government. This responsibility and related powers were transferred to the Minister Responsible for Information Technology during the fiscal year.

The Ethanol Fuel Act provides for the production, use and blending of ethanol, including the promotion of a cleaner environment through the use of ethanol.

The Freehold Oil and Gas Production Tax Act provides the authority to tax freehold oil and gas and recovered crude oil in the province.

The Labour-sponsored Venture Capital Corporations Act provides the framework for the Invest in Saskatchewan program and the issuance of tax credits under the program.

The Mineral Resources Act, 1985 provides for the orderly exploration for, and development, conservation, management and primary production of, mineral resources in Saskatchewan.

The Mineral Taxation Act, 1983 provides authority to tax mineral production and mineral rights.

The Oil and Gas Conservation Act allows for the orderly exploration for, and development of, oil and gas in the province and optimization of recovery of these resources.

The Pipelines Act, 1998 provides the authority regarding the construction, operation and abandonment of oil, natural gas and other pipelines.

The Tourism Authority Act establishes the Saskatchewan Tourism Authority and sets out its responsibilities for tourism marketing, development, promotion and other tourism-related activities.

Publications

Saskatchewan Industry and Resources distributed the following publications during the reporting year:

Economic Strategy

- Partnership for Prosperity
 - Consultation Document (2000)
 - Strategy (2001)
 - Action Plan (2001)
 - What We Heard (2001)
 - Executive Summary (2001)
 - Year 1 Progress Report (2002)

Economic Analysis

- Monthly Economic Indicators

Report Business and Co-operative Services

- REDAs: Organization and Funding
- Directory of Business Associations in Saskatchewan (April 2002)
- Growing From Within: A Practical Approach to Economic Development (video)
- Business and Co-operative Information Resource Materials - 84 titles (April 2002)
- Kinds of Business - 48 titles (August 2002)
- Continuing the Co-operative Sector and Government Partnership – A Mandate Paper
- Building the New Saskatchewan – New Generation Co-operatives For Agricultural Processing and Value-Added Projects: A Development Guide (September 2002)
- The Social and Economic Importance of the Co-operative Sector in Saskatchewan (2000)
- Co-operative Development Assistance Program fact sheet
- Developing and Supporting Saskatchewan Co-operatives: A Directors Handbook

Business Services (now Competitiveness Branch)

- Information Bulletins (16 titles)

Economic Diversification

- Saskatchewan Manufacturers Guide (on Web site)
- Major Projects Inventory (on Web site)

Invest in Saskatchewan Program

(previously the Labour-sponsored Venture Capital Corporations Program (LSVCC))

- Invest in Saskatchewan Employee Funds Type B fact sheet
- Invest in Saskatchewan Pool Funds Type A fact sheet
- Invest in Saskatchewan Brochure

Small Business Loans Associations Program

- Mandate, criteria and fact sheet

Innovation and Science Fund

- Mandate, criteria and application

Canada/Saskatchewan Western Economic Partnership Agreement (WEPA)

- Mandate and criteria

Investment Attraction

- Saskatchewan out-of-province marketing kit
 - Overview brochure
 - Sector-specific fact sheets – agricultural biotechnology; agricultural equipment; bio-products and processing; call centres; Canadian Light Source Inc.; cultural industries; electronics and instrumentation; food, crop and beverage processing; forestry; information and communications technologies; life sciences; manufacturing industries; mining; oil and gas; pork production; tourism.
 - Saskatchewan fact sheets – about Saskatchewan, competitive cost advantages.
 - Program Fact Sheets -- Saskatchewan Business Ambassadors Program and Saskatchewan Expatriates Program
- Saskatchewan Business Ambassadors Program kit:
 - Sector brochures
 - CD-ROM
 - Video
- Investors Package (available only upon request)
- Greenprint on Ethanol Production in Saskatchewan
- Forestry Status Report, Spring 2002
- Climate Change:
 - Making it Work: A Saskatchewan Perspective on Climate Change Policy
 - Effects of Climate Change on Agriculture, Forests and Rural Communities

Publications

Other

- Department annual reports
- Saskatchewan Business Unlimited quarterly magazine (free by subscription)
- Saskatchewan Economic News monthly news summary (free by subscription)
- Canadian Light Source – New Light for Science and Innovation (1999)
- Implementation to Address Entrepreneurial Education (Fall 1997)
- E-Government in Saskatchewan
- A Wealth of Information – Accountability Report

For more information, contact:

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Saskatchewan Industry and Resources
2103 – 11th Avenue
Regina, SK S4P 3V7

Telephone: (306) 787-1691
Facsimile: (306) 787-8447

Saskatchewan Industry and Resources Offices

(formerly Saskatchewan Economic and Co-operative Development and
Saskatchewan Energy and Mines)

Regina

Head Office
2103 – 11th Avenue
Regina, SK S4P 3V7

Financial Building
2101 Scarth Street
Regina, SK S4P 3V7

Centre for Business Development
1925 Rose Street
Regina, SK S4P 3P1

Core Lab
201 Dewdney Avenue East
Regina, SK S4N 4G3

Estevan

303 Wicklow Centre
1133 – 4th Street, Box 5000
Estevan, SK S4A 2V6

Area 4 Field Office
1302 – 3rd Street
Estevan, SK S4A 0S5

Moose Jaw

88 Saskatchewan Street East
Moose Jaw, SK S6H 0V4

North Battleford

1202 – 101st Street
North Battleford, SK S9A 1E9

Yorkton

23 Smith Street West
Yorkton, SK S3N 0H9

Saskatoon

345 – 3rd Avenue South
Saskatoon, SK S7K 2H6

206 – 15 Innovation Boulevard
Saskatoon, SK S7N 2X8

Swift Current

885 – 6th Avenue NE
Swift Current, SK S9H 2M9

Area 3 Field Office
350 Cheadle Street West
Swift Current, SK S9H 4G3

Prince Albert

Box 3003, 3rd Floor, City Hall
1084 Central Avenue
Prince Albert, SK S6V 7P3

Kindersley

Area 2 Field Office
113 – 2nd Avenue East
Kindersley, SK S0L 0S0

Lloydminster

Area 1 Field Office
4815 – 50th Street
Lloydminster, SK S9V 0M8

La Ronge

1310 La Ronge Avenue
La Ronge, SK S0J 1L0

Creighton
P.O. Box 70
Creighton, SK S0P 0A0

Office of Northern Affairs

Mistasinik Place
1328 La Ronge Avenue
Box 5000
La Ronge, SK S0J 1L0

Telephone Numbers

Canada-Saskatchewan Business Service Centre (CSBSC)	1-800-667-4374
Northern Business Directory	1-800-663-4065
Northern Development Fund	1-800-663-4065
Northern Mines Monitoring Secretariat	1-800-577-2668
Office of Northern Affairs	(306) 425-4200
Saskatchewan Industry and Resources Regional Offices (Business and Co-operative Services)	1-800-265-2001

